FINANCIAL TIMES

World Business Newspaper

MONDAY APRIL 22 1996

Start the week with...

Scottish devolution
What business thinks about it
James Buxton, Page 23

Management
The new driver at Mazda
Michiyo Nakamoto, Page 16

Today's surveys
Queen's Awards
Latin American mining
Pages 7-14 and 37-40

WTO near to deal on $500bn-a-year telecoms market

The US, European Union, Japan and Canada moved closer to an accord in World Trade Organisation negotiations to liberalise the global telecommunications market worth more than $500bn a year – leading to optimism that remaining problems could be settled by the WTO's deadline at the end of this month, after nearly two years of talks. Page 24; Quad trade talks, Page 4

G7 'optimistic' on world economy: The Bundesbank's unexpected decision last week to cut German interest rates has left Group of Seven finance ministers cautiously optimistic on the future of the world economy. Sluggish European growth was the main cause of concern at the meeting, held ahead of the spring meetings of the International Monetary Fund and World Bank. Page 24; Pledge on Russian nuclear safety, Page 2; Wolfensohn's task, Page 22; Editorial Comment, Page 23

German union warns on pay freeze: The union representing Germany's public sector workers warned it would not accept a wage freeze as part of government spending cuts and other measures to revive the economy. Page 2

Allianz plans to invest $500m in Asia-Pacific equity markets by early 1998, following the setting up of a Hong Kong asset management arm, chairman of the German insurer Dr Henning Schulte-Noelle said. Page 25

Group rivals world accounting body: The UK is to head a grouping of the world's leading accounting standard setters, challenging the International Accounting Standards Committee which has pushed for international harmonisation. Page 5

Italy goes to polls again: Italians voters went to the polls to elect the 13th government since the second world war, with a close result predicted by rival centre-left and rightwing alliances. Page 2

UK wins $7.6m tool investment: The US's biggest machine tool producer Giddings & Lewis has chosen the UK for a new production line involving an expected investment of about £5m ($7.6m) over the next two years. Page 5

Banco Santander, Spain's leading bank, paid Pta50bn ($400m) to become the biggest single private shareholder of electrical utility Endesa, which is 66 per cent government-owned. Page 27

Call for limit on IMF gold sales: Belgian finance minister, Philippe Maystadt, wants a change in the International Monetary Fund's rules to limit the amount of the fund's gold reserves it can sell. Page 5

Finnish train crash kills four: Four people were killed and more than 40 injured when a sleeper train from the north of Finland derailed in thick fog about 45km north of Helsinki.

Rivals groups claim Delhi bomb: Two separatist groups claimed responsibility for a powerful bomb that killed at least 17 people, including two Britons, and injured 32 in New Delhi.

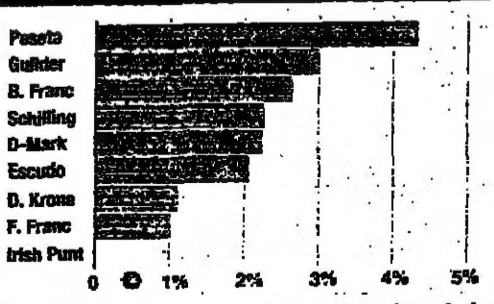
Egypt releases Cunard liner: Egypt has agreed to release Cunard's luxury liner Royal Viking Sun after receiving a $23.5m letter of security from the ship's insurers covering claims for damage to Red Sea coral reefs which it struck two weeks ago.

Mexican wins third London marathon:

Dionicio Ceron of Mexico became the first man to win the London marathon three successive times, with a time of 2:10:02. Britain's Liz McColgan won the women's race in a time of 2:27:54. About 4,000 of the 27,000 runners needed treatment as temperatures reached 25°C (75°F).

European monetary system: In a week which saw the Bundesbank cut its discount rate to the lowest level in eight years, the order of currencies in the EMS grid remained the same. Austria, Belgium, Denmark and the Netherlands also cut their rates. The spread between currencies was also largely unchanged. Currencies, Page 41

EMS: Grid April 19, 1996



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

Albania	Lek 220	Germany	DM4.00	Lithuania	Lts 15.00	Qatar	QR13.00
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR12
Bahrain	Din1.250	Hong Kong	HK$30	Malta	Lm0.65	Singapore	S$4.30
Belgium	BFr75	Hungary	Ft230	Morocco	MDh16	Slovak Rp	Sk65
Bulgaria	Lv130.00	Iceland	IKr230	Neth	Fl 4.75	S. Africa	R12.00
Cyprus	C£1.20	India	Rs75	Nigeria	Naira90	Spain	Pta250
Czech Rp	Kc60	Israel	Shk7.90	Norway	NKr20.00	Sweden	SKr20
Denmark	DKr18	Italy	L3200	Oman	OR1.50	Switz	SFr3.70
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Syria	S£65.00
Estonia	Ekr 22	Jordan	JD1.50	Poland	Zl5.50	Tunisia	Din1.750
Finland	FM15.50	Kuwait	Fils 650	Portugal (mainland)		Turkey	L80,000
France	FFr11.50	Lebanon	LL3,000		Es250	UAE	Dh12.00

Israel eases Lebanese air attacks

Artillery barrage continues as dual peace initiatives delay ceasefire

By Julian Ozanne in Jerusalem and David Gardner in Beirut

Israel eased its aerial bombardment of Lebanon yesterday but continued its relentless artillery shelling as separate initiatives being pursued by France and the US delayed conclusion of a ceasefire.

The Israeli air force was ordered to reduce strikes against targets across Lebanon, which have been criticised in Israel as ineffective against pro-Iranian Hizbollah guerrillas.

But the army maintained its artillery barrage, firing several hundred large calibre shells into Lebanon, and the Israeli navy kept up for a fourth day its shelling of the coastal road linking Beirut to the south.

Hizbollah guerrillas fired at least 20 Soviet-made Katyusha rockets into northern Israel.

The continued violence came despite the presence in the region of the foreign ministers of the US, France, Russia and Italy who are trying to arrange a ceasefire.

Despite hopes that the four ministers might co-operate on a joint proposal, it became clear that the US and France were continuing to pursue independent initiatives which divided Israel from its Arab foes.

However, western diplomats said it might still be possible to get a temporary agreement "within hours" to halt the violence and allow the diplomats to negotiate a formal ceasefire.

Mr Shimon Peres, Israel's prime minister, said yesterday after meeting Mr Warren Christopher, US secretary of state, in Jerusalem that despite the various diplomatic efforts, the one channel for negotiations was the US, Israel's closest ally. "We shall not reject to see anyone... but we cannot have three agreements on the same issue because this will mean no agreement at all," he said.

Israel backs Mr Christopher's ceasefire mission while Lebanon, Syria, Iran and Hizbollah have endorsed the proposals of Mr Hervé de Charette, French foreign minister.

The US proposal seeks to enhance the oral July 1993 understandings which pledged both Israel and Hizbollah to cease attacks on civilians and restrict attacks to military personnel in Israel's occupation zone in southern Lebanon.

The US initiative also seeks to guarantee Israel's right to return fire if it is attacked from civilian areas and attempts to get Syria to make formal commitments to guarantee the ceasefire.

Mr Peres, facing May 29 elections, backs the US proposal because it will allow him to emerge with credit in front of the Israeli public. Israel also prefers

Continued on Page 24
No short-term solutions, Page 3

US-Russia arms progress marred by Nato tension

By Chrystia Freeland and Bruce Clark in Moscow

The US and Russia yesterday made progress towards resolving differences over two arms treaties as Moscow formally backed an international nuclear test ban.

However, tensions between the two countries surfaced over Nato's eastward expansion plans.

President Bill Clinton said after five hours of talks with Russian president Boris Yeltsin that "real progress" was made on the vexed issue of what sort of anti-missile defences are allowed by the 1972 anti-ballistic missile treaty.

He also said the two sides moved closer to finding a formula for the amount of armour that Russia may deploy in the Caucasus region under the 1990 conventional forces in Europe treaty.

The talks followed a weekend summit with leaders of the Group of Seven leading industrial nations designed as a showcase of the post-cold war amity between east and west. It offered Mr Yeltsin a valuable political boost ahead of presidential elections on June 16.

But yesterday's meeting was marred by Mr Yeltsin's very public reassertion of his opposition to Nato's eastward expansion.

The Russian leader created an embarrassing moment for his US guests by claiming the US had agreed to lobby western partners to be more sympathetic towards the Russian position on Nato.

"Nato expansion will not be speeded up, at our request, for some time. President Clinton promised to use his influence on his allies on this," Mr Yeltsin said at a joint appearance with Mr Clinton.

Mr Yeltsin also said he hoped the dispute between Russia and the west over Nato enlargement could be resolved by "a provision that no country may be accepted without Russia's agreement".

His proposal contradicts the official western position that Moscow will not be allowed the power of veto over Nato's new members.

Mr Clinton sought to smooth over the incident, saying only there had been no changes in Washington's position on Nato expansion.

But Mr Yeltsin's uncompromising stance echoed the tough remarks he made on Saturday, during the G7 meeting, when he attacked the US for stationing nuclear arms on the territory of its non-nuclear allies.

Despite Mr Yeltsin's harsh remarks on Nato enlargement, G7 leaders took pains to enhance their host's political prestige.

The G7 asked Mr Yeltsin to urge China to join an international ban on nuclear tests when he visits Beijing this week. Moscow formally backed the treaty over the weekend, but winning Chinese support is seen as a more serious obstacle to international negotiations in Geneva.

Mr Clinton also offered the Kremlin leader some relief from the increasingly strenuous criticism western human rights organisations have made of the war in Chechnya.

Although Mr Clinton urged Russia to seek a diplomatic solution to the conflict, he also insisted that Chechnya was part of Russia and drew a parallel between Mr Yeltsin's 16-month battle to keep Chechnya within the Russian Federation and the US civil war.

The summit participants issued a communiqué pledging to work together to improve international nuclear safety standards and Ukrainian president Leonid Kuchma reiterated his promise to close the Chernobyl nuclear power plant by 2000.

Moscow agreed to join an international ban on dumping nuclear wastes at sea, a Russian practice as recently as 1993.

Safety tops priorities, Page 2
Editorial Comment, Page 23

Bill Clinton (left) and Boris Yeltsin were presented with flowers by bystanders while touring the Kremlin yesterday. "Today we took yet another step back from the nuclear precipice," Mr Clinton said Picture: AP

UK may retaliate with ban on imports of EU beef

By George Parker and Alison Maitland in London

The UK government is considering a total ban on imports of European beef in a move that could upset trade relations in the European Union.

The British prime minister Mr John Major is said to be "incandescent" over the EU's refusal to lift the worldwide ban on British beef exports, and is studying a range of retaliatory measures.

One extreme option is a ban on all EU beef imports to Britain, on the grounds that other member states have also reported cases of BSE, or mad cow disease.

Imports of EU beef from animals over 2½ years old have been subject to an effective ban since the UK prohibited cattle over this age from entering the food chain at the end of last month.

It appears the government is now considering a formal import ban, covering meat from younger animals as well, which would be open to challenge by other EU countries or UK beef importers.

Mr Major is said to be determined to increase pressure on other member states to lift the export ban imposed on March 27 – even at the risk of causing severe political strains in the EU.

While such a move would win favour with Eurosceptics in the ruling Conservative party, it seems certain to infuriate and bemuse Britain's EU partners at a time when the government and farm leaders are stepping up pressure for the ban to be lifted.

Mr Douglas Hogg, UK agriculture minister, is due to meet Mr Franz Fischler, EU agriculture commissioner, in Brussels tomorrow to discuss measures the UK is taking to eradicate BSE.

Sir David Naish, president of Britain's National Farmers' Union, will seek to persuade Mr Philippe Vasseur, the French agriculture minister, of the need to lift the ban at a meeting today.

UK ministers acknowledge that a ban on European beef imports would need to be legally watertight. They argue that Britain has taken steps to minimise the threat of BSE spreading to

Continued on Page 24
Exporters win awards, Page 6

Bell Atlantic and Nynex set to announce $50bn merger

By Tony Jackson in New York

The much-rumoured $50bn merger of Nynex and Bell Atlantic, the two regional US phone companies, is expected to be announced as early as today, according to US reports. This would eclipse the $45bn merger of SBC Communications and Pacific Telesis, announced earlier this month.

According to press and wire reports, Bell Atlantic's board approved the merger on Saturday, while the Nynex board deliberated it yesterday. Neither company would comment.

However, Reuter reported sources close to the deal, speaking on condition of anonymity, as saying the companies were aiming for an announcement today.

It is expected the merger would be effected by the exchange of shares in both companies for those of the merged group. Bell Atlantic's current share price of $65 values it at $28.5bn, while Nynex's price of $53 values it at $22.7bn. Any delay would be over the relative valuations of the companies, according to the source.

New York-based Nynex and Philadelphia-based Bell Atlantic between them cover the north-east US from Maine to Virginia. Their combined revenues last year of almost $27bn would put them second in US telephony after AT&T, with sales in telephone services last year of $51bn.

It is thought that Bell Atlantic chairman Mr Raymond Smith, 58, will chair the new company. Mr Ivan Seidenberg, 49, chairman of Nynex, is then expected to succeed him.

The outbreak of mergers between phone companies follows the passage in February of the telecommunications bill liberalising the US phone industry.

AT&T and other long-distance companies are expected to oppose the mergers on competition grounds. While local phone markets are being thrown open to competition under the telecoms bill, the local companies – the so-called Baby Bells – still have effective monopolies.

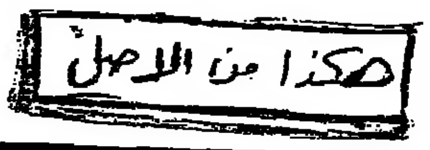
Merger between neighbouring Baby Bells is aimed partly at cost savings through the elimination of central office functions. However, some Wall Street analysts are sceptical, pointing out that much the greatest part of the Baby Bells' costs lies in maintaining and servicing networks and customers locally.

However, local phone companies are also being driven to extend geographically by the threat from the long-distance companies, AT&T in particular. The long-distance companies are now free to offer local telephony as well as long-distance and wireless.

Telecoms pact, Page 24

CONTENTS

LONDON · LEEDS · PARIS · FRANKFURT · STOCKHOLM · MADRID · NEW YORK · LOS ANGELES · TOKYO · HONG KONG



Moscow summit agrees to pool resources in fight against smuggling of atomic materials and terrorism

Safety tops leaders' nuclear priorities

By Bruce Clark and Chrystia Freeland in Moscow

The Group of Seven leading industrial nations and Russia have pledged to give absolute priority to safety in civil nuclear power generation and to pool their efforts to combat nuclear smugging and terrorism.

"Nuclear safety has to prevail over all other considerations," said a statement on power generation issued after the Moscow summit, which was billed by the host, President Boris Yeltsin, as an attempt "to turn the atom into a factor of co-operation, partnership and peace".

However the participants skirted round their differences over what constitutes a safe reactor design – and over how best to dispose of the huge quantities of uranium and plutonium that are being released as nuclear warheads are dismantled.

The eight leaders reaffirmed their commitment to "the highest internationally recognised safety level" for the siting, design and operation of power stations.

But their final statement avoided the question of whether the RBMK design – used in Chernobyl in Ukraine, as well as 11 reactors in Russia and two in Lithuania – is inherently unstable, as most western experts believe.

In a concession to western pressure on Russia and Ukraine to limit the damages payable by western companies engaged in nuclear engineering, the summit communiqué called for a nuclear liability regime that would "protect industrial suppliers from unwarranted action ..." The risk of incurring vast liabilities in the event of an accident has discouraged companies from undertaking ambitious nuclear safety projects in the former Soviet Union.

The eight leaders promised to "identify appropriate strategies" for the management of fissile material that was no longer needed for defence purposes and noted that the options included long-term storage, vitrification and conversion into mixed-oxide fuel (MOX) for use in reactors.

Opinions within the G7 differ over how best to guard or absorb the bomb-grade uranium and plutonium which are piling up in Russia.

The west Europeans, led by France, broadly favour the conversion of old plutonium into MOX, while US officials fear this option will simply encourage extra plutonium production, and say the substance should as far as possible be taken out of circulation.

The US, which has launched an ambitious programme to buy up bomb-grade uranium, strongly opposes a project by a German laboratory to buy a small quantity for use in a research reactor.

On the delicate subject of nuclear smuggling, the eight leaders have agreed to work much more closely together – while acknowledging, in a sop to Russian sensitivities, that each nation much take responsibility for its own stocks.

Among the measures envisaged to combat nuclear smuggling, President Yeltsin and his guests agreed on "co-operative intelligence, customs, and law enforcement efforts to prevent the transport and sale of diverted material". The agenda for the summit was set in part by a study headed by Professor Graham Allison of Harvard University which painted an acutely alarming picture of the conditions in which nuclear materials are stored in the former Soviet Union.

"The leakage of weapons-usable nuclear materials from the former Soviet Union is already occurring and could easily get worse in frequency and magnitude," reported Prof Allison, who said the lax security at some Russian installations was virtually an open invitation to theft by rogue states or terrorists.

Giulio Andreotti, ex-premier now on trial over Mafia charges, votes in Rome yesterday in Italy's general election *Reuter*

Italian parties expect close outcome in poll

By Robert Graham in Rome

Italians went to the polls yesterday to elect their 13th post-war legislature, with the contending centre-left and rightwing alliances predicting a close result.

With the outcome expected to be determined by some 50 marginal constituencies in a complex electoral system, the final result in Italy's third general election in four years is unlikely to be known before tomorrow.

Voters were asked to chose between two broad groupings – the centre-left Olive Tree alliance headed by Mr Romano Prodi, an economics professor, and the right-wing Freedoms Alliance led by former premier Mr Silvio Berlusconi. The bulk of the marginal seats were in the north, where there was a three-cornered fight with the populist Northern League of Mr Umberto Bossi.

The Olive Tree was convinced it had won the propaganda war in the final stages. Opinion polls, whose publication was forbidden during the campaign but which leaked out, indicated the centre-left could win control of the 315-seat Senate but not the 630-seat Chamber of Deputies.

But polls have never been very accurate in Italy, especially in the last two elections where almost a third of the electorate remained undecided until the end.

The uncertainty over the result is likely to produce an anxious day on the foreign exchange markets today, with investors waiting to see if either of the two alliances can obtain a clear majority.

Italy is the third biggest bond market in the world after the US and Japan. Financial analysts said any prospect of a stable government would boost the lira and investment in the Italian market.

Yesterday was the first time an Italian election had not been spread over two days with polling stations open from 7am until 10pm. A total of 48.9m people were eligible to vote in an ageing population of 57m. The high number of eligible voters included some 2.5m registered outside the country, few of whom were expected to be able to vote. Only those aged 25 and over were eligible to vote for Senate candidates.

Three-quarters of the seats were contested on a first-past-the-post system introduced in the March 1994 elections. The remainder were allocated by proportional representation. Parties united to fight the first-past-the-post seats but fielded candidates under their own banners for the proportional seats, whose rules favour the smaller groups who can win over 4 per cent of the vote nationally.

With support for the Olive Tree more concentrated in certain constituencies for the chamber of deputies, the alliance could well win a larger share of the vote but a smaller number of seats. But even if the right wing gained a majority in the chamber, the inability to control the Senate in Italy's bi-cameral parliamentary system would make it impossible to govern.

The election was caused by the inability of the year-old government of Mr Lamberto Dini, composed of non-parliamentarians, to sustain a viable majority.

Big German union rejects pay freeze

By Peter Norman in Bonn

Germany's public sector workers' trade union yesterday warned the government it would not accept a wage freeze as part of spending cuts and other measures to revive the economy that are due to be decided on this week.

Mr Herbert Mai, head of the OTV trade union, was responding to reports that the government would seek a two-year freeze for civil servants and white and blue collar public sector workers. He appeared to hint at possible strike action. "We will find ways, available to us as a trade union, if the zero round stays on the table," he said.

In remarks to the DPA news agency, Mr Mai likened the wage freeze idea to the disastrous peace settlement imposed on Germany after the first world war. "A zero round is no offer, it is a diktat," he said.

Negotiations on the OTV's demand for a 4.5 per cent wage increase for 3.24m white and blue collar workers start on Thursday, when the parties in the Bonn coalition are due to give final approval to government plans for cutting public spending, restructuring welfare services and reducing taxation in an attempt to improve Germany's international competitiveness and create jobs.

The idea of a two-year public sector pay freeze has been pushed strongly by Mr Theo Waigel, the finance minister, in negotiations inside the government over public spending cuts of DM50bn ($33bn) next year. According to some estimates, a wage freeze could save the federal government about DM3bn next year. Savings by the federal states or *Länder* would be greater because personnel costs account for 39 per cent of their expenditure.

In an interview with Der Spiegel news magazine, Mr Kurt Biedenkopf, the prime minister of Saxony and a senior member of Chancellor Helmut Kohl's Christian Democratic Union, said he expected the government would win a two-year pay freeze.

Despite his rhetoric, Mr Mai's negotiating position has weaknesses. The German public sector employs nearly 2m civil servants in addition to the OTV's 3.24m members. Civil servants have almost total job security but they may not strike and their pay is set by parliament. If the Bundestag decided to freeze civil service pay, the OTV would come under heavy pressure to fall into line.

Moreover, recent pay settlements in the private sector, where there is less job security than in public service, have increased pressure for moderation in the public sector. Late last week, wage bargainers for 200,000 workers in the printing industry followed the example of the building industry and settled for pay increases of 1.85 per cent.

INTERNATIONAL NEWS DIGEST

Poll setback for Iran clerics

Iranian conservatives have lost their overall majority in parliament after a challenge by a newly formed band of reformists in bitterly fought elections that left no group in absolute control, analysts said yesterday. The conservative Combatant Clergy Association (CCA), they estimated, would have no more than 120 seats of the assembly's 270 seats – 20 fewer than at present – and the reformist Servants of Iran's Construction (SIC) 90-100 seats. The remaining seats were thought to have been divided among centrists, independents and those assigned to religious minorities.

The SIC was formed in January by senior officials and executives of state institutions in support of President Akbar Hashemi Rafsanjani's moderate policies. Parliament is a powerful and outspoken political institution in the 17-year-old Islamic republic and has slowed or blocked government proposals with which it disagrees.

The CCA has used its current majority to delay reforms proposed by Mr Rafsanjani to liberalise the oil-dominated economy and lift subsidies on food and fuel. *Reuter, Tehran*

Israel lifts key interest rate

The Bank of Israel raised its key lending rate by 0.8 percentage points to 14.8 per cent yesterday. Analysts said rising inflationary pressures gave the bank little choice, but some said it was too steep and others not enough.

Commercial banks reacted to the news by raising prime rate by 0.8 percentage points to 16.3 per cent. The stock market opened with losses and fell steadily throughout the day.

The bank blamed the rise on relatively high increases in the consumer price index in recent months, higher inflationary expectations and rapid growth in money supply, which meant the government might fail to reach its target of cutting inflation in 1996 to between 8 and 10 per cent. The consumer price index jumped 1 per cent in March to give an annual increase of 10.8 per cent.

Some economists felt the Bank of Israel should have raised interest rates even more. "The bank clearly had no choice this month but to raise rates. But 0.8 per cent is a compromise," said Mr Jonathan Katz, senior economist at Capital Holdings consultants. General elections scheduled for May 29 as well as the tense situation generated by fighting on Israel's border with Lebanon in the past 10 days make it difficult for the central bank to tighten monetary policy further, analysts said. *Reuter, Tel Aviv*

Groups claim New Delhi blast

Two separatist groups claimed yesterday to have set off the powerful bomb that killed at least 17 people in New Delhi on Saturday in order to punish rivals and stop elections next month in troubled Kashmir. The blast toppled a lodging house in the crowded heart of the capital,killing eight foreigners and injuring 32 people, police said. They said three Nigerian men, two French nationals and two Britons were among the eight foreigners who died.

A joint statement from the Islami Harkat-ul-Momineen and the Khalistan Liberation Force distributed to newspapers in Srinagar, summer capital of the northern state of Jammu and Kashmir, said the bomb had been triggered by remote control. "Some anti-movement activists, including some foreigners of friendly neighbouring countries of India, were holding a meeting when the bomb was exploded, killing all of them," it said.

The blast, one of the worst in the city's history, occurred a week before the start of India's general election. Voting begins on April 27 and ends on May 30 in Kashmir. *Reuter, New Delhi*

Nigeria deposes head of Islam

Nigeria's military government has deposed Alhaji Ibrahim Dasuki as Sultan of Sokoto for allegedly failing in his duties. Mr Dasuki is a former civil servant who became powerful in business and politics before he was installed as sultan in 1988 by former military ruler Ibrahim Babangida, a close associate.

By tradition, the sultan is officially head of Islam in Africa's most populous nation and unofficially a powerful force in Nigeria's ruling northern clique. But since General Sani Abacha became head of state in late 1993 the influence of the sultanate has declined. Mr Dasuki has fallen out of favour, while rival traditional rulers such as the Emir of Kano are in the ascendant.

Mr Dasuki heads the Supreme Council of Islamic Affairs, but the government has backed a new Islamic organisation. The latter has handled the crisis over the ban on Nigerian hajj pilgrims by the Saudi authorities.

Muhammed Maccido, whose father was the sultan before Mr Dasuki, was named as the new sultan yesterday, according to local journalists in Sokoto. *Paul Adams, Lagos*

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 596 4481. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Brüssel, Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell, Chairman, and Alan C. Miller, Deputy Chairman. Shareholders of the Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd, London and F.T. (Germany Advertising) Ltd, London. Shareholder of the above mentioned two companies is: The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
GERMANY:
Responsible for Advertising: Colin A. Kennard. Printer: Hürriyet International Verlagsgesellschaft mbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu Isenburg ISSN 0174 7363. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
FRANCE:
Publishing Director: P. Maraviglia, 42 Rue La Boétie, 75008 PARIS. Telephone (01) 5376 8254. Fax (01) 5376 8253. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN 1148-2753. Commission Paritaire No 67808D.
SWEDEN:
Responsible Publisher: Hugh Carnegy 468 618 6088. Printer: AB Kvällstidningen Expressen, PO Box 6007, S-550 06, Jönköping.

Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
R F J

هكذا من الأصل

NEWS: INTERNATIONAL

Iran gains stronger role in Mideast peace process

By David Gardner in Beirut

The crisis in Lebanon is turning into a rare foreign policy success for Iran, winning it a seat near, if not at, the Middle East peace table.

The Tehran regime's ideological influence on and financing of Hizbollah, the Shia fundamentalist militia fighting Israeli occupation of south Lebanon, has made Iran a participant in the current negotiations to get a ceasefire between Israel and Hizbollah.

As Mr Warren Christopher, US secretary of state, shuttled between Damascus and Jerusalem yesterday, attempting to gather into one channel separate mediation efforts, Mr Ali Akbar Velayati, Iran's foreign minister, was in Damascus, ploughing his own regional furrow.

Iran has yet to realise any concrete gains from the crisis. But senior officials in Beirut and Damascus believe that implicit in Israel's war aims and last week's US plan to end the confrontation were a bid to destroy Tehran's influence in the Levant, by driving a wedge between Syria and Iran, and by dismantling Hizbollah.

Instead, after last Thursday's killing of 108 Lebanese civilians by Israeli shells and rockets, Iran has become a factor in the peace equation, and Hizbollah's popularity has been bolstered by a wave of outrage at Israel across Lebanon.

"Iran wants to force the US into direct talks," said a senior Arab official close to the negotiations. Mr Velayati has already had talks with Mr Hervé de Charette, French foreign minister, in Damascus, but no known contact with the US.

Along with Syria, the military overlord in Lebanon and ultimate controller of Hizbollah, Mr Velayati favoured France's suggested return to something like 1993's US-brokered rules of engagement between Israel and Hizbollah, under which each side undertook not to target civilians, rather than the US plan which would have put an end to Hizbollah resistance inside occupied south Lebanon as well.

"In view of the unconditional support given by Washington for the recent crimes of the Zionist regime, there is no optimism regarding the US proposal for ending the crisis," Mr Velyati said in Damascus on Saturday, hoping to add a dent to Washington's already battered image as honest broker in the region.

However, by yesterday, he was more conciliatory, insisting that Iran's intention was to contribute towards ending "the suffering of the Lebanese people". Alongside him – live on CNN – was Sheikh Hassan Nasrallah, Hizbollah's leader, who said that "if attacks on the people of Lebanon stop, we have said on more than one occasion that we will stop firing Katyushas" into northern Israel.

The latter will be included in an Israeli ceasefire offer, which Mr Christopher and Mr Shimon Peres, Israel's prime minister, said they hoped President Hafez al-Assad of Syria would endorse last night.

But Iran will still be able to wield influence in discussion of the longer-term security arrangements to follow, because of its influence on Hizbollah. Neither Syria – which uses Hizbollah as a prod to Israel in its own suspended peace negotiations on Israeli withdrawal from the Golan Heights – nor Iran will accept the disarmament of Hizbollah before Israeli withdrawal from south Lebanon.

Arafat seeks to win crucial charter changes

By Julian Ozanne in Jerusalem and Alexandra Capelle in Damascus

Palestinian President Yassir Arafat faces a crucial test of political support for his peace accords with Israel this week when the Palestinian National Council, the supreme Palestinian decision-making body, convenes in Gaza for the first time since 1991.

Veteran Palestinian leaders, former hijackers and people who once headed Israel's most wanted list will discuss Mr Arafat's request to remove articles from the 1964 Palestinian charter calling for the destruction of the state of Israel. This is a key Israeli demand for continuing the peace process and is seen as vital to the fortunes of Mr Shimon Peres, Isreal's prime minister, at May 29 polls.

The "parliament-in-exile" will be meeting for the first time on Palestinian land. It will also be the first time the peace accords are submitted to democratic discussion by representatives of Palestinians inside and outside the territories.

Changing the charter would consolidate the transformation of the Palestine Liberation Organisation from a guerrilla movement and would entrench Palestinian acceptance of a two-state solution in the historical land of Palestine.

But the move faces strong opposition, particularly from those who represent the views of up to 4m Palestinian refugees and who oppose the peace accords. Opposition has been bolstered by Israel's nine-week closure of its borders with Palestinian territories which has crippled the Palestinian economy.

Damascus-based leaders such as Mr George Habash of the Popular Front for the Liberation of Palestine (PFLP) and Mr Nayef Hawatmeh of the Democratic Front for the Liberation of Palestine (DFLP) have refused to end their exile to attend the meeting. They have also raised the prospect that their members on the PNC might boycott the meeting. Mr Farouk Kaddoumi, one of the most senior members of Mr Arafat's Fatah faction of the PLO, will also not attend.

Although Mr Arafat will probably be able to gather enough support to push the changes through, such a boycott will deny legitimacy to what officials view as the PNC's most crucial meeting in PLO history. It would also expose the deep political divisions in Palestinian society over the peace process and the rift between leaders inside and outside Palestinian territories.

The "rejectionists" oppose the peace process, believing it cannot deliver Palestinians' minimum political aspirations, which include an independent state with Jerusalem as its capital and the right of refugees to return.

When these sensitive issues are tackled in "final status" negotiations, due to begin in May and last three years, they believe Mr Arafat will be forced into big concessions to Israel which will lead to widespread disaffection.

But opposition boycott tactics may backfire. Mr Habash and Mr Hawatmeh have seen their support inside the West Bank and Gaza Strip crumble since the Israeli-Palestinian peace agreement was signed in 1993. Although both remain respected, the public mood is overwhelmingly behind the peace process and the opposition has failed to come up with a convincing alternative.

The PLO rejectionists have often appeared hopelessly marginalised, increasingly unable to stamp their mark on the emerging political reality inside the Palestinian territories and unwilling to follow the Hamas Islamic Resistance Movement in continuing armed struggle.

Many supporters of the DFLP and PFLP inside the West Bank and Gaza Strip openly disagree with the boycott policy and have been actively considering breaking with the Damascus leadership and participating in the new institutions being created.

Palestinians burn an Israeli flag yesterday during a protest in Gaza City against the massacre in Lebanon *Reuter*

No more long-term short-term solutions, says Lebanon's PM

Rafiq Hariri tells **David Gardner** that Israel's occupation of Lebanon is the primary problem

Mr Rafiq Hariri, Lebanon's embattled prime minister, wants more from negotiations to end the latest Middle East crisis than a halt to Israel's 11-day bombardment of his country. He wants Israel out of Lebanon altogether.

The country, struggling to rebuild its economy and its cohesion after the devastating civil warfare involving its 17 minority communities between 1975 and 1990, could no longer live with short-term and illusory solutions which keep turning the country into the region's battleground, Mr Hariri said in an interview at his Beirut home.

"This method of partial solution is wrong. Why don't we try to solve the problem?" he asked. "We end up having to live with these short-term solutions for 18 years."

It is 18 years since Israel's first incursion into Lebanon in 1978. That was followed by a full invasion and the destruction of much of Moslem West Beirut in 1982, and Israel's subsequent creation of its "security zone" in southern Lebanon, occupying 12 per cent of the country's territory.

The 1982 invasion and Israel's pull-back by 1985 under heavy attrition from Shia Moslem militias led directly to the emergence of Hizbollah, the Shia fundamentalist force fighting the Israeli occupation. Israel says its 1993 air blitz of south Lebanon and the current "Grapes of Wrath" operation are intended to smash Hizbollah. It follows, in Mr Hariri's analysis, that "the problem" is, first of all, the occupation, and only then the resistance to it.

"If they are looking for security, it's right there," he said, in reference to the 1978 UN Security Council Resolution 425 requiring Israel to withdraw from Lebanon. Of Mr Shimon Peres, Israel's prime minister, whom he has never met, he said: "He is in my country, and he is saying that he is defending himself.

"Enough is enough. Israel has to accept that it cannot keep launching air raids, destroying the country again and again as it has done for 18 years. The Israelis cannot be talking about peace and making war at the same time. They have to change their methods."

Israel "made a big mistake invading Lebanon" in 1982 and intervening in the country's tribal wars, he said. "They got used to playing the Lebanese game and got sucked into the quicksand," leaving south Lebanon as Israel's only active war front after five years of peace deals with its Arab neighbours. Mr Peres, he insisted repeatedly, was also making a "mistake" with the current assault.

What Mr Hariri clearly senses is the opportunity to push the issue of Israel's occupation of south Lebanon up the Middle East peace agenda. By shelling the UN refugee shelter in Qana last Thursday, killing 101 people, mostly women and children, "Israel committed a crime" and cannot be allowed "to get away with it," he said.

A US-Israeli plan linking a ceasefire to an end to Hizbollah action against Israeli occupation appears to be giving way to a French-initiated plan to tighten up the 1993 US-brokered rules of engagement between Israel and Hizbollah, where both sides agree to refrain from targeting civilians.

The circumstances are thus propitious for Lebanon's prime minister to highlight the Israeli occupation as the root cause of the conflict.

Neither Lebanon, nor Hizbollah, the country's only civil war militia which has not been disarmed, is its own master. The civil war not only left Israel in possession of the south, but also left 35,000 Syrian troops controlling security in the rest of the country. Damascus arbitrates in Lebanon. Hizbollah operates with Syrian backing, and with financing and inspiration from Iran.

For both countries the militia is a means of keeping up pressure on Israel, and by extension, the US. Under these circumstances, the proposition that an end to occupation will end resistance may be too simple, particularly for Israel.

Whether or not Mr Hariri can keep the Israeli occupation at the forefront of negotiations, he is articulating forcefully the one issue which unites all Lebanese, irrespective of sect, clan or religion – and this week as never before.

The billionaire construction tycoon has grown in stature in the past 10 days, using his wide range of international contacts artfully. He was scarcely known in Lebanon until he helped negotiate an end to the civil war, and then, as prime minister, came to embody the country's attempts to reconstruct.

Before this crisis, Mr Hariri believed the occupation, the resistance, and indeed the task of national reconciliation after the civil war, were beyond Lebanon's resolution, and concentrated on physical reconstruction. The notion that you could have the latter without the former was already unravelling before Israel's bombs started hitting Shia villages and infrastructure which had just been replaced.

However the negotiations turn out, Mr Hariri's challenge will be to solidify the country's cohesion, inspired by opposition to Israel, so that it underpins the reconstruction effort. How far has that effort been set back? "I can't tell you now," he said. "But the final answer will depend on the result of this negotiation."

NEWS: INTERNATIONAL

Attempt to calm investment rule fears

By William Dawkins

The world's four top trading powers yesterday agreed that the World Trade Organisation should discuss setting international rules on the treatment of foreign investment.

The decision, at the Quad trade meeting in Kobe yesterday, is intended to assuage concerns of developing countries, which fear that an international investment accord being negotiated by richer countries in the 25-nation Organisation for Economic Co-operation and Development will be imposed on them.

The trade ministers agreed to set up an informal working group, including developing nations, to study possible WTO rules on the fair treatment of foreign investors, with a view to establishing a formal group at the next WTO ministerial meeting in Singapore in December.

Officials said the group was not intended to supplant the OECD negotiations, but merely to ensure that developing countries' concerns were heard.

The Singapore meeting will also debate labour standards. Controversy broke out over this yesterday, when the US voiced concern that countries with low labour standards were attracting more than their fair share of investment. However, the EU maintained that labour standards should be dealt with in the International Labour Organisation as a human rights problem, rather than as a trade issue.

Quad members also agreed that the Singapore meeting should debate the possibility of setting global rules for fair competition, an increasingly important part of international trade relations. Diplomats said the aim would not be to set up a world competition authority, but to seek agreement on common rules, backed by a disputes mechanism.

Brittan's insistence on access to Japan's chip market rebuffed at Quad trade talks

EU and US clash over global IT pact

By William Dawkins in Kobe

The European Union has clashed with the US by warning it will support an ambitious plan to dismantle world trade barriers in information technology products only if it gets agreement on fair access to Japan's semiconductor market first.

The ultimatum, delivered to a weekend meeting of trade ministers of the big four Quad trading powers – the US, the EU, Japan and Canada – by Sir Leon Brittan, Europe's trade commissioner, met a clear rebuff from Ms Charlene Barshefsky, the acting US trade representative.

She reiterated that Washington was seeking renewal of a five-year-old bilateral semiconductor accord with Japan, due to expire on July 31, which reserves 20 per cent of Japan's chip market for foreign suppliers. The EU has complained that the pact discriminates against European suppliers.

Brussels also wants to extend the proposed global information technology agreement (ITA) to other sectors, such as pharmaceuticals, so that Europe would not be unfairly disadvantaged by dropping its high tariffs on electronic components.

But Ms Barshefsky argued that the ITA, originally a EU-US initiative, must stand or fall on its own merit. She strongly resisted any attempt to link moves to cut trade barriers in semiconductors and information technology, and pointed out that the ITA had strong support from information technology companies in all four Quad nations. She accused the EU of exhorting an end to the bilateral chip pact at one moment and seeking to be included in it the next.

The EU was only prepared to remove import duties on electronic components "provided that access to the market for semiconductors is addressed and especially access to the Japanese market", Sir Leon said. The EU had to be involved in a new semiconductor accord, whether it was governmental or – as Brussels would prefer – between industries. Access to Japan's semiconductor market had to be "substantial, effective and non-discriminatory", he said.

A senior EU official explained: "You can hardly expect us to lower our tariffs without being satisfied that we have effective and non-discriminatory access to the Japanese market." Japanese officials did not rule out the EU's request for participation in a semiconductor agreement.

Quad members agreed to push ahead with negotiations on an ITA despite the EU-US dispute. However, the US came under fresh pressure over the weekend to compromise on its insistence on a renewed bilateral intergovernment semiconductor pact.

Mr Shumpei Tsukahara, Japan's minister of international trade and industry, declined a US request for government talks on the grounds that he would prefer first to see the outcome of industry-to-industry talks, due for completion in June, just a month before expiry of the pact.

Tokyo wants to let the semiconductor deal expire on the grounds that the pact has exceeded its task, bringing the actual foreign share of the Japanese chip market to 30 per cent, and that Japan dislikes being asked to set official import targets, against the spirit of WTO free trade rules.

Observer, Page 23

Charlene Barshefsky (right) greets (from right) Shumpei Tsukahara of Japan, Art Eggleton of Canada and Sir Leon Brittan Reuter

Dole pays price of battle on two fronts

US ELECTIONS November 5

Senator Bob Dole always knew he would have a problem after sewing up the Republican presidential nomination so early in the election year. It was how best to keep his campaign for the White House alive and kicking during the long months before the party conventions in August.

His answer was logical enough – and forced by the reality that he had virtually exhausted his allotted $37m in primary campaign funds while President Bill Clinton, his November opponent, still has $16m to spend over the summer.

So he decided to use his perch as Senate majority leader to wage legislative battle against Mr Clinton focusing on those issues most likely to interest the electorate in the campaign proper. This is a 20th century first – no majority leader has previously taken on an incumbent president.

But the first week of the new session on Capitol Hill has merely demonstrated how difficult it is simultaneously to try to run an unruly Congress and a national campaign. That was merely underlined in last Friday's Los Angeles Times national poll, which gave Mr Clinton a hefty 55-37 point lead and showed growing disaffection with the Republican majority in the legislature.

In that week Mr Dole suffered defeat and embarrassment by turns. He saw his own amendment to a healthcare insurance bill voted down in the Senate. He said he would press the cause – the creation of medical savings accounts – in the next step of joint conference committee, but that may come only at the cost of sacrificing a bill that enjoys broad bipartisan support.

Most stinging was the fact that the motion against these accounts, seen by critics as favouring the rich, was proposed by his friend and fellow Republican from Kansas, Senator Nancy Kassebaum.

Mr Dole was also forced to pull from the Senate floor another high-priority item, the immigration bill, so as to avoid a vote on increasing the federal minimum wage, a Democratic cause. But by the end of the week, Republicans, alive to their own re-election prospects, were jumping on the minimum wage bandwagon and Mr Dole was half-conceding that some increase might be inevitable.

Comparable problems loom all across the legislative agenda, as Mr Dole tries to balance conservative demands and the needs of a more centrist campaign. Even agreeing on a budget for the current fiscal year, now over half over, remains fraught with difficulty. Yet another temporary funding resolution may be needed this week when the current one expires so as to avoid another partial closure of the government.

Vice-President Al Gore warned that Mr Clinton stood ready to veto a budget bill if Republicans insisted on adding conditions weakening the enforcement of environmental regulations. It was an easy threat, since public opinion, as well as many moderate Republicans, see reasonable protection of the environment as a potent electoral issue for Democrats and Mr Clinton.

An overall seven-year balanced budget agreement is also theoretically still on the table, as are some of its component parts, reforms of the major social safety net programmes. The problematic calculation for Mr Dole is whether he is better off with no agreements, blaming Mr Clinton for the failure but running the risk of being blamed himself, or with them, which means he would have to share credit with a president whom he is seeking to replace.

Capitalising on Mr Dole's dilemmas, some Democrats, such as Senator Jay Rockefeller of West Virginia, have mischievously proposed that he stand down as majority leader to concentrate on running for president.

All is far from lost for Dole. The consensus view is that his deficit in the polls must narrow as November approaches. But Capitol Hill, his milieu, is proving a steeper slope to climb than he might have imagined.

Jurek Martin

Beijing 'steps up fight' against pirate CD makers

By Tony Walker in Beijing

China says it has intensified its fight against widespread counterfeiting of information and entertainment products and has closed seven pirate compact disc producers recently.

Beijing's claim that it is moving against intellectual property rights violators is an apparent attempt to forestall threatened US sanctions against more than $1bn of Chinese imports.

Mr Duang Ruichun, a senior official in the State Council, or cabinet, told the official China Daily Business Weekly newspaper that China was implementing laws to stamp out violations of patents, trademarks and copyrights. He did not provide details of the targeted pirate CD factories.

Attempt to forestall US sanctions against more than $1bn imports

Ms Charlene Barshefsky, acting US trade representative, told Chinese officials in Beijing this month that US patience was wearing thin on China's indifferent record in implementing a 12-month old agreement to curb abuses of intellectual property rights (IPR).

She is understood to have outlined steps which needed to be taken to persuade the US that China was serious in its efforts to combat piracy of CDs, video games and computer software. These steps included the closure of pirate producers.

Ms Barshefsky also warned that the US was considering imposing punitive tariffs on Chinese imports more or less equivalent to losses suffered by US producers of pirated information and entertainment products.

US officials say some 34 pirate CD factories have been operating in China, with production capacity of 90m discs a year. Much of this capacity was devoted to exports, with Hong Kong a major distribution point.

"China's enforcement authorities have yet to target major manufacturers and distributors of pirate products...and China has not yet opened its markets to our creative industries," said a senior US official in February.

Mr Duang, director general of the State Council's intellectual property executive conference, said China had sent official supervisors into "every CD production line" to prevent piracy. It had also cracked down on karaoke bars which were major consumers of pirate products.

"It's safe to say that few other countries have expended so much energy on dealing with the IPR problem as China," said Mr Duang. "Ignorance of such efforts is just unreasonable."

US officials say China has not done nearly enough to live up to undertakings made in February 1995 to both curb IPR abuses and to improve market access for education and entertainment products.

They have made it clear heightened Chinese efforts to stamp out piracy will be an important consideration when the administration decides whether to renew China's Most Favoured Nation trading status in the US. A decision on MFN, which accords China preferential tariffs, is due by June 4.

UK sees progress in talks with China on HK

Rifkind: Abolition of LegCo unacceptable and unnecessary

By Peter Montagnon, Asia Editor

Britain and China made "important progress" on securing the future of Hong Kong's civil service in talks over the weekend but failed to reconcile their differences over China's plans to abolish the territory's Legislative Council.

The two countries agreed that all Hong Kong civil servants should stay on after Hong Kong reverts to China next year, Mr Malcolm Rifkind, UK foreign secretary, said after a two-hour meeting with his Chinese counterpart in Holland.

The agreement appears finally to lay to rest fears that civil servants might be required to submit to loyalty tests after the handover.

Such fears have prompted a serious slippage of confidence in Hong Kong in recent weeks, but Mr Rifkind said Mr Qian Qichen, China's foreign minister, made no suggestion that any such tests would be required.

The crucial point was that both countries were committed to a politically impartial civil service, he said.

It should be loyal and dedicated to the Hong Kong government up to the handover and to the government to be installed by China thereafter.

Agreeement by China to recognise the sole authority of Governor Chris Patten, the Legislative Council and the UK Privy Council until the handover should provide further reassurance, Mr Rifkind said.

Hong Kong legislators have expressed fears that China's transitional institutions might seek to assume the role of a parallel government ahead of the handover.

But there remains deep anxiety among Hong Kong legislators about China's plan to scrap the Legislative Council – elected last year under Mr Patten's democratic reforms – as soon as it takes over.

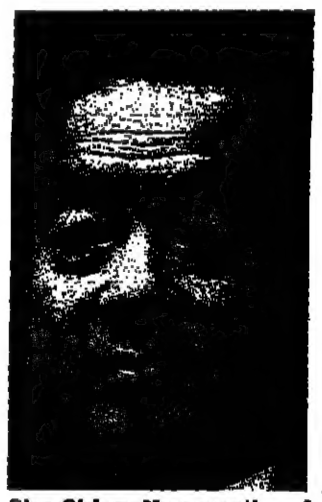
China has said it will install a provisional LegCo with a mandate to run for up to a year while it revises Mr Patten's reforms, a move which many, including Hong Kong's bar council, regard as seriously questionable on constitutional grounds.

For its part, China maintains Mr Patten's reforms were themselves unconstitutional.

"This attitude is going to cause great trouble for all of us: China, Britain and Hong Kong," Ms Christine Loh, a pro-democracy Legislative Councillor, said in London, where she is lobbying politicians ahead of a House of Lords debate on Hong Kong this week.

Protests at the abolition of LegCo could mar the handover celebrations and force China to impose restrictions on foreign press reporting as soon as it has taken over, she said.

The abolition of LegCo was "neither acceptable nor necessary", Mr Rifkind said after Saturday's talks.



Qian Qichen: No suggestion of requiring tests of loyalty

Government tries to halt declining confidence in future of UBL

Pakistan replaces bank's board

By Farhan Bokhari in Islamabad

Pakistan's central bank, the State Bank of Pakistan, has replaced the entire board of United Bank (UBL), the second largest public sector bank.

The move is widely seen as an attempt to halt declining confidence in the future of the bank, which was sold last month to Saudi Arabia's Bisharahil group.

The transfer of management to UBL's new buyers, however, has been delayed, after some of its depositors got a court order blocking the sale on the grounds that depositors' interests were not given consideration when the government decided to sell the bank.

Mr Muhammad Yaqub, Pakistan's central bank governor, told a news conference on Saturday at the bank's headquarters in Karachi: "The new management has been directed to initiate steps to ensure prudence in lending... and to reduce administrative costs of the bank."

Mr Yaqub also said the change of management would neither impede nor speed up the privatisation process. However, independent bankers said the action was probably taken to ensure that the delay in privatisation, due to the court order, did not further harm UBL's financial position. The bank has more than 1,600 branches, mainly located in Pakistan.

UBL's profits have been badly battered by widespread inefficiency and growing burdens caused by huge debts that have gone bad. Last year its pre-tax profits dropped to only Rs7m ($203,000) against Rs59m a year before and Rs275m in 1993. In 1995 up to 48 per cent of UBL's expenditure went on staff.

The bank's troubles have also mounted due to some Rs25bn in bad debts. These include loans in the form of political patronage since banks were nationalised in Pakistan in the early 1970s. Since then, many borrowers have paid neither the principal nor the interest.

Mr Nasir Bukhari, a leading Karachi stockbroker whose company deals in a large number of bank shares, said yesterday: "The bad debt problem of the UBL should first be resolved by the government, using the authority of the state, and then the bank should be offered for sale."

Many other analysts are convinced that UBL will emerge as an important test case in assessing the government's ability to restructure an important financial institution.

Islamabad to seek up to $2.7bn aid

By Farhan Bokhari

Pakistan is likely to seek up to $2.7bn in new external aid at the two-day annual Aid to Pakistan consortium meeting starting in Paris today.

The government is keen to see new promises from donors as an expression of confidence in the country's economic reforms, in addition to obtaining commitments ahead of the country's 1996-97 budget.

Pakistan is expected to emphasise what it sees as a number of recent stabilising factors in the economy. According to government estimates, annual economic growth is expected to be more than 6 per cent in the year ending in June, up from around 4.7 per cent the previous year, and the budget deficit below 5 per cent of gross domestic product, down from around 6 per cent a year ago.

The upward growth trend is largely due to the better-than-expected cotton crop this year, which recovered from a three-year crop loss caused by widespread pest attacks.

Pakistan hopes to earn an additional $700m from new cotton exports.

Cotton is vital for the Pakistani economy because almost 60 per cent of export income comes from cotton products.

Some officials also expect a recovery in textiles due to cheaper raw cotton prices. This would help the sector to recover from losses caused by escalating raw material costs in the past couple of years.

> 'All the signs are that we'll be maintaining more than 6 per cent growth and the leading sector is going to be agriculture'

Mr V A Jafarey, the prime minister's adviser on finance and economic affairs, says: "All the signs are that we'll be maintaining more than 6 per cent growth rate and the leading sector is going to be agriculture."

However, Pakistan is still faced with a number of problems. Many of its donors are concerned at the government's increasing borrowings from the domestic banks to support expenditure. The government has so far borrowed more than Rs60bn ($1.7bn), up from a target of Rs28bn for the entire fiscal year.

There are also growing worries about a widening trade gap because of a significant increase in imports during the first nine months of the current fiscal year.

According to estimates released last week by the federal bureau of statistics, a government agency, the trade gap widened to $2.69bn in the nine months, up from $1.63bn for the same period last year.

Mr Hafeez Pasha, a former commerce minister said: "The important issues that will come up [at the consortium] will be issues like bank borrowings and Pakistan's international trade position."

Many western economists concede that they are concerned over the growing trade deficit, despite a 10 per cent devaluation of the Pakistani rupee in October last year.

However, government officials insist that the results of the devaluation should start appearing in the next few months, as there was bound to be a time lag between that measure and growing export income.

Finance ministers to scrutinise policies on exchange rates and other key issues

IMF checks out nations' progress

Issues as diverse as Indonesian fiscal policy, Britain's inflation target and French labour market reform may all crop up at the International Monetary Fund's key policy-making committee in Washington today, as it scrutinises the economic policies of member governments.

The Fund was urged to keep a closer eye on national economic policies after Mexico's financial crisis in 1995. As part of this effort, the IMF's "interim" committee of finance ministers and central bank governors will try to draw general lessons from the confidential "article four" consultations which Fund staff have carried out with governments over the past year.

According to a document written by Fund staff in preparation for today's meeting, the surveillance discussions will centre on four key topics:

- Exchange rate misalignments in the industrial countries.
- Labour market policies in the industrial countries.
- Inflation and money supply targets in the industrial countries.
- The mix of policies adopted by fast-growing developing economies.

On industrial country exchange rates, the document notes that "both the staff and the board have been more forthcoming in identifying possible misalignments among major currencies and in expressing concern about turbulence in the adjustment process".

This was true when the Fund assessed the overvaluation of the yen and D-Mark against the US dollar early last year.

In discussions with Japan, for example, Fund staff argued that the real effective exchange rate for the yen was 25 per cent overvalued relative to trend early in 1995. But subsequently the yen has devalued to a point "that no longer seems misaligned," the Fund argues.

In Europe, meanwhile, the undervaluation of the Italian lira was "evident a year ago and [is] still apparent at present despite considerable appreciation in the second half of 1995".

Fund staff have told Italy that further efforts to cut government borrowing would probably boost the currency.

The Fund and the British authorities meanwhile agreed last November that the pound's depreciation early last year was not justified by economic fundamentals. The IMF board agreed subsequently that sterling was undervalued and that ideally it should rise back to its levels of early 1995.

"Directors supported the staff's view that if economic activity strengthened as expected [in the UK], a bias towards further tightening of monetary policy would be appropriate. However, since the board discussion the authorities have eased monetary policy in several steps, against a backdrop of below-trend growth, weakening export markets, and a moderation in input price inflation," the document notes.

In discussion of labour market policies, the UK and New Zealand were praised for reforms which have reduced structural unemployment. But in Germany, "the Fund expressed concern about the lack of progress in tackling structural unemployment, and was disappointed that government proposals to limit the duration of unemployment assistance had not been approved".

The Fund argued that the minimum wage should be cut in certain areas, that assistance should be better targeted and that labour taxes and social benefits should be reduced.

It suggested similar measures in France.

On monetary policy, the Fund said inflation targets were appropriate in some countries and money supply targets in others. But whatever the framework, inflation had generally remained low because activity was below potential.

Fund staff questioned the use of "somewhat ambiguous targets, such as Australia's objective of achieving price stability on average over the business cycle or, as in the UK, announcements of a range of likely outcomes in addition to an objective". These countries were also urged to adopt greater central bank independence.

The IMF has also welcomed increased transparency of monetary policy in many countries, through the issue of official reports or minutes of monetary policy meetings. "However transparency alone is not sufficient as demonstrated by the UK where, despite a higher degree of transparency relative to other countries, inflation expectations remain above the medium-term target".

In its surveillance of developing countries, the Fund has paid particular attention to the danger of overheating in fast growing economies. But "there was not always agreement between the staff and authorities about the extent to which, or even whether, an economy was overheating," the Fund reports.

"For most such countries, the Fund recommended an early tightening of financial policies. . . to avoid the possible need for more disruptive policy actions at a later stage," the report says.

"While accepting the view that fiscal policy had a role to play, member authorities were often not convinced of the need to tighten further." In Indonesia, for example, the Fund remains concerned that the budget is not tight enough to reduce demand pressures.

Recognising the tension between the need to raise interest rates to restrain activity and the danger of encouraging speculative capital inflows in these countries, the Fund has typically advised tighter fiscal policy and allowing the exchange rate to rise. But some countries have introduced or extended capital controls, "notwithstanding the Fund's advice to refrain from such measures except as a last resort and temporary response".

Wolfensohn's task, Page 22

Reports by Robert Chote, Economics Editor, in Washington

Drive to set statistics standard wins converts

About 25 countries have indicated that they wish to subscribe to the International Monetary Fund's special quality standard for economic statistics, set up to help prevent financial crises such as that which afflicted Mexico in late 1994 and early 1995.

The initiative sets standards for the coverage, frequency and timeliness with which 17 categories of economic data are reported.

Countries aspiring to the standard are also required to pre-announce release dates, to describe the methodology of calculation, to provide full public access to the data and to make it clear when government ministers see the numbers in advance.

Mr Jack Boorman, the IMF's policy development and review director, said at the weekend that he hoped the standards would help both governments and the financial markets to identify economic strains before they had chance to develop into full-scale crises.

Countries meeting the standards will be identified on an electronic bulletin board. This will open on August 31, followed by a 26-month transition period during which countries can subscribe to the standard even if they are not able to meet it fully.

Ms Carol Carson, the IMF's deputy director of statistics, said that not one country yet met all the requirements.

Officials and financial market participants welcome the scheme, but foresee problems when countries fall short of the standard.

"To serve the purposes for which the standard is designed, it will be necessary to signal if a subscribing member is no longer fulfilling the expectation that it is observing the standard," the Fund says. This will be done by removing the country's entry from the bulletin board.

However, Mr Boorman conceded that removing a country – or even the rumour of its removal – could help trigger the sort of crisis which the scheme was intended to guard against.

Removing a country will also be a lengthy and complicated process, even though the Fund promises to act in "a timely fashion".

An underperforming country will first discuss its problems with Fund staff and the executive director who represents it on the IMF board. In the event of "severe and persistent non-observance", the board would probably consult a panel of independent statistical experts while giving the country an opportunity to argue its case before deciding whether to remove it.

"The way we have thought this through, we would hope we would never get to a situation where we would have to think about the 'atom bomb' approach." Ms Carson said.

But Mr John Lipsky, chief economist at Salomon Brothers in New York, said this would pose problems: "Inevitably the Fund would get drawn into the question of whether it was vouching for this data or not. If the only option is the 'atom bomb' option to remove, what responsibility will the Fund bear in the meantime for the data?"

The IMF's hope is to provide information from which financial market participants can draw their own conclusions. Failures to produce particular pieces of data on time will not be flagged specifically on the bulletin board, for example, but left for market participants to infer.

"But I don't think in practice that this will exempt the Fund from some sort of implicit vetting issue," Mr Lipsky warned.

Maystadt seeks cap on gold reserve sales

Maystadt: proposing alteration to articles of agreement Tony ...

Mr Philippe Maystadt, the Belgian finance minister, will today propose the possibility of altering the International Monetary Fund's articles of agreement to place a strict limit on the amount of the organisation's gold reserves it can sell.

Mr Maystadt believes this may provide a way to reassure countries such as Germany that selling and investing a limited part of the Fund's $40bn gold stock to finance an extension of its soft-loan facility for poor countries would not establish a precedent for gold sales for other purposes.

Mr Theo Waigel, the German finance minister, reiterated his opposition to gold sales yesterday, arguing that it would "send the wrong signals". Germany and some other countries argue that gold sales and participation in debt relief schemes would undermine the Fund's integrity.

Amending the articles to limit gold sales would require parliamentary approval in many of the Fund's 181 member countries. But Mr Maystadt believes it should form part of a package with a variety of other measures that will have to be submitted to the parliaments anyway. This package would include an increase in the Fund's share capital, an increase in the basic voting rights allocated to all member countries and a targeted allocation of "special drawing rights", which allow national authorities to borrow foreign exchange reserves.

Mr Maystadt will make his proposal at today's meeting of the Fund's key "interim" committee of finance ministers and central bank governors, which he chairs. But the package would not be put in place until next year at the earliest.

Mr Michel Camdessus, the IMF's managing director, will raise the issue of gold sales at the meeting as part of a scheme to put the Fund's so-called "enhanced structural adjustment facility" (ESAF) on a permanent footing. The ESAF allows countries which had a national income below $865 a head in 1994 to borrow money at a heavily subsidised interest rate of 0.5 per cent, with repayment only required after five to 10 years.

ESAF will become self-sustaining in 2005 as repayment of old loans provides fresh resources, but extra money will be needed to keep the scheme running over the preceding five years. Mr Camdessus will argue that the Fund can borrow, or provide from its own resources, around $1.5bn a year over that period to be lent to ESAF-eligible countries, but that a further $3bn or so will be needed during the five years to pay for the subsidy element of the loans.

Mr Camdessus will propose that half the money needed for the subsidy be raised by selling 5 per cent of the Fund's gold reserves, investing the proceeds and using the income. The remaining money would have to come from individual member governments.

Countries such as the US and UK are expected to argue that it is unrealistic to expect further bilateral donations to perpetuate ESAF, and that the Fund should come up with the money itself. Officials expect the UK, for example, to propose selling 5 to 10 per cent of the Fund gold and to use some of the money already being put in reserve for the period when ESAF becomes self-sustaining to help pay the subsidy in the intermediate years.

Mr Camdessus may also propose that the Fund could help pay for bilateral contributions indirectly, by refunding money that has already been put in a special IMF account to cover bad loans to countries that had just paid off their arrears.

Global accounting body challenged

By Jim Kelly
Accountancy Correspondent

The UK is to lead a revitalised international grouping of the world's leading accounting standard setters in a move designed to increase the influence of British accounting on the search for a global accounting code.

The development will be seen as a significant challenge to the International Accounting Standards Committee (IASC) which, under the leadership of Sir Bryan Carsberg, has successfully pushed forward international harmonisation.

Sir David Tweedie, chairman of the UK's Accounting Standard's Board, has accepted the position as the first chairman of G4 – a previously informal grouping of the UK, US, Australian and Canadian accounting standard setters.

The move will be seen as an attempt by the world's leading standard setters to increase their influence on Sir Bryan's organisation during a two-year period in which the IASC is attempting to write a global accounting code.

"This is a big challenge to the IASC," said one leading accountant. "G4 does not want organisations in which everyone sits around the table chatting. This is a shot across the bows for Sir Bryan."

Sir Bryan's organisation, which is based in London, has an agreement with the world's leading securities regulators to produce a set of accounting standards which could be endorsed by March 1998.

If successful, this project, offers big enterprises the chance to use one set of accounts throughout the world. At present companies have to produce separate accounts to enter some markets, such as those in the US.

The G4, which has been in existence for two years, hopes that it can increase its influence on the IASC and prompt it to streamline its organisation by the formation of an "inner cabinet" which would tackle complex accounting issues which could later be endorsed by other members.

While members of the G4 are supporters of international harmonisation they believe the present structure of the IASC is cumbersome and allows too much influence to countries which have little technical input or expertise.

If unsuccessful in its attempts to influence the IASC, some observers believe G4 might try and promote harmonisation independently of the IASC. It has been suggested that the US Financial Accounting Standards Board might try to become an international body itself by inviting a European or Japanese member on to the board.

Lex, Page 24

Lower labour costs aid investment

By Peter Marsh in London

Giddings & Lewis, the US's biggest machine tool producer, has decided on the UK rather than Germany to base European production of a new family of tool, partly because of the UK's lower labour costs.

The investment in producing the company's RAM machining centre for sales in Europe will be at Giddings' Knowsley plant on Merseyside rather than its similarly sized factory near Stuttgart.

Equipping the Merseyside plant for RAM production will be part of a £5m investment likely over the next two years, increasing annual output from an expected £50m this year to £80m in 1998. Employment is expected to increase by 50 from the current 320.

The investment adds to recent evidence that lower employee costs, coupled with the weak pound and moves towards flexible working methods, have put the UK in a favourable position to win investments by multinational manufacturers considering stepping up their European production operations.

Giddings is based in Fond du Lac, Wisconsin, and has annual sales of tools of $730m. It said Knowsley had "the best set up" for production of the new machine tool.

The company said the UK's lower labour costs were one factor, although another was Knowsley's knowledge of the technologies involved with the RAM system.

In another move, Western Atlas, the US's second biggest machine tool producer, is considering expanding its production site at Keighley, West Yorkshire, by 20 per cent. The factory is already on course for production of tools worth £38m this year.

Yamazaki of Japan, the world's biggest machine tool producer, is also deciding on a "multi-million" expansion of its Worcestershire plant which will lift annual production by roughly 20 per cent over the next two years to just more than £106m.

Lloyd's warns that US Names may miss out

By Ralph Atkins,
Insurance Correspondent

LLOYD'S State securities regulators in California have been warned by Lloyd's of London that that they may prevent Names in the state benefiting from an important part of its recovery plan by forbidding Lloyd's from communicating with them.

The warning comes as Lloyd's steps up efforts to persuade California's department of corporations, the state's securities regulator, to drop legal action which threatens to undermine the recovery plan. Lloyd's attempt to have the case dismissed is due to be heard by May 6.

Because of the legal action, Lloyd's is unable to tell Californian Names how much they would receive under a proposed out-of-court settlement offer, currently worth £2.8bn.

The offer would help offset the cost to Names of paying for Equitas, a new reinsurance company which will take over many outstanding liabilities at Lloyd's – allowing a line to be drawn under Names' affairs at the market.

Names are individuals whose assets have traditionally supported Lloyd's.

Lloyd's has set a deadline of May 7 for overseas Names to apply for special means-tested help if they still cannot afford to meet Equitas bills even after their allocation from the out-of-court settlement.

The Californian case is a particular headache for Lloyd's because the securities regulators want to freeze part of $10bn held in trust to support US underwriting. If they succeeded, the security of Lloyd's policies in the US could be undermined, affecting trading in the US.

But Lloyd's complains that it is prevented from talking to the 500 Names in California about the benefits of a negotiated solution to the mass of litigation surrounding Lloyd's which followed losses of more than £8bn in recent years.

Mr Peter Lane, Lloyd's North American managing director, said Californian Names stood to gain considerably from the recovery plan Reconstruction and Renewal. Gross liabilities of about £130m would be cut to less than £50m, much of which would be covered by funds already held on Names' behalf at Lloyd's.

A spokesman for the California securities regulators said: "The department has taken the action it believes is appropriate to protect Californian Names."

City People, Page 30

Car prices outstrip wage inflation

By John Griffiths in London

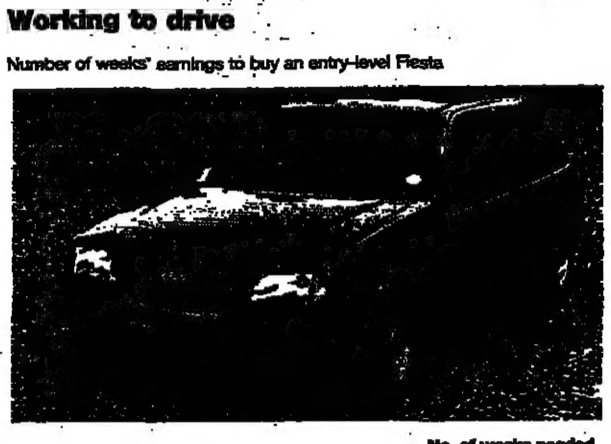
New car price increases have outpaced wage inflation to the extent that it now requires a worker on UK average gross weekly earnings to work 7.8 per cent longer – 17.9 weeks compared with 16.6 weeks – to buy a base model Ford Fiesta, before taxes, than in 1990.

The increase drops to 1.4 per cent after VAT – but only because the Treasury has foregone the revenues from the 10 per cent car tax it scrapped in the early 1990s to help boost the new car market, and dealers have had their own profit margins slashed, according to an analysis by Sewells International, the industry consultants. Total taxation on the Fiesta model fell 2.8 per cent over the five-year period, in spite of the increase in the standard rate of VAT from 15 per cent to 17.5 per cent in 1992.

Sewells, using data compiled for the Lex Service group's annual report on motoring, said it had analysed a model by UK market leader Ford because of Ford's sensitivity to market conditions. "Other manufacturers and importers are not so conscientious. We believe the trend would be even more pronounced if we had taken a larger sample of actual models."

Working to drive

Number of weeks' earnings to buy an entry-level Fiesta



	Base price	Total taxes	Total price	Weekly wage	No. of weeks needed to buy at: Base price	Total price
1990	£4,630	£1,084	£5,445	£263.10	16.6	20.7
1995	£6,038	£1,056	£7,095	£336.30	17.9	21.0
	+30.5%	-2.6%	+30.3%	+27.8%	+7.8%	+1.4%

Source: Sewells International

Carmakers, which claim in reply that current cars are better equipped than 1990 predecessors, "now take a much larger slice of the base price than they did in 1990", says Sewells.

The situation has prompted protests from the Retail Motor Industry Federation, representing the country's 6,000 or more franchised dealers. "Dealers were conned into losing their margins on the grounds that retail new prices would be cut," according to Mr Neil Marshall, the RMI's policy director. "The initial benefits to dealers have not endured."

The industry is heading for "a long-term affordability crisis", according to Mr Marshall. "It is futile waiting for the economy to improve. Car buyers do not lack confidence. They simply believe that today's cars do not represent good value so are buying used cars instead."

Mr Andrew Wilkinson, editor of the motor trade's CAP vehicle prices guide, has also warned that "new car prices are growing at a rate which is outpacing consumers' ability to buy."

Motor industry academic Professor Jonathan Brown said in the Sewells report that high new car prices had little to do with dealers, now on an average 5 per cent profit margin compared with an average of between 15 and 16 per cent in the 1990s. Europe's underlying problem with high car prices, he added, was that car workers in Europe were paid more than their US counterparts but were less productive.

Timing system set to take risk out of settlement

By George Graham,
Banking Correspondent

British banks will today switch over to a new electronic system for handling more than £26,000bn ($39,500bn) of instantaneous payments each year.

Two hundred years ago, bankers in the City of London met in coffee houses to exchange cheques in London's first formal clearing arrangements. As recently as last year, bank messengers still gathered every day in Lombard Street to swap cheques worth millions of pounds in a system called Town Clearing.

Since 1984, however, the electronic Clearing House Automated Payment System, or Chaps, has taken over the handling of high value payments, which banks transmit to each other through a British Telecom data network, settling up with each other every evening.

But on Friday, clearing bankers and the Bank of England gave the go-ahead for Chaps to switch over this morning to a real time settlement system. Instead of waiting till the end of the day to settle up, banks will pay each other instantly by drawing on accounts at the central bank.

The new system has been developed by the Chaps company and the Bank in partnership, on time and to budget. But its importance to the smooth functioning of the British economy is so great that its designers are nervous. "We, the UK, cannot afford any outages," said Ms Merlyn Lowther, deputy chief cashier at the Bank of England.

The system is not just a technological improvement: in a stroke it cuts an entire category of risk out of the financial system, and offers the prospect of eliminating other much greater risks.

Banks have until now credited their customers' accounts with Chaps payments immediately, but have not received final payment from the paying bank until around 7.30pm, when they settled up at the Bank of England.

If the paying bank failed during the day, the receiving bank was out of pocket. The probability of this happening might be small, but the sums passing through the system are so large that even such a small probability becomes a large risk. Central bankers around the world have become more and more concerned about this and other risks inherent in the national and international payment systems.

While central bankers in many countries have, since the 1980s, become more willing to allow individual banks to fail, they have at the same time become more anxious that individual collapses should not rebound on to other banks waiting for payment and damage the entire financial system.

"This is the main reason we are adamant that payment arrangements at the core of the settlement system are able to resolve problems and are strong enough to withstand major failures," said Mr William McDonough, president of the New York Federal Reserve.

From today, interbank risk is eliminated from the UK's Chaps system, because the paying bank will transfer money irrevocably and instantaneously to the receiving bank from its account at the Bank of England.

That could simply have transferred the risk to the Bank of England; if a bank failed, it would end up with an unpaid overdraft at the Bank.

To avoid this, banks will have to supply collateral to the Bank by selling it securities at the start of each day to clock up a credit balance.

The ability to make instantaneous, final payments through Chaps also provides the missing link to enable instantaneous settlement for the gilts and stock markets, thus eliminating another category of risk from the financial system.

The extension of real time settlement across borders, meanwhile, could bring an even greater reduction in risk in the foreign exchange markets, whose turnover is so large – $1,200bn a day and growing fast – that even the smallest settlement hiccup can cause dramatic problems for the financial system.

Leading international banks who call themselves the Group of 20 are working on plans to set up a supreme clearing bank to provide real time payments for the foreign exchange market.

UK NEWS DIGEST

Alvis named in cladding contract

Alvis, the Midlands-based armoured vehicle manufacturer is negotiating a contract to provide blast proof cladding for a £200m ($304m) new building to house Westminster MPs.

A joint venture between Alvis and Seele the German cladding manufacturer based in Augsburg, in Bavaria, has been named as the preferred bidder for the contract by the Parliamentary Works Directorate.

The new Parliamentary Building is being constructed above the site of a new Westminster underground station. Alvis has been chosen to work with the German cladding company because of its experience of fabrication of heavy aluminium used in armoured fighting vehicles. It, however, refused yesterday to confirm whether it was bidding for the Parliamentary contract.

The choice of Alvis would be regarded as an important breakthrough by the British construction industry which has become virtually non-existent in the provision of glass and metal cladding for modern buildings, a sector dominated by continental European suppliers.

The French-US company, Harmon CEM Facades, is understood to have been the closest rival to the Alvis/Seele venture for the cladding contract. Gartners the German curtain walling company is also understood to have been interested. The total cost of the project has been estimated at £154m at 1992 prices. *Andrew Taylor, Construction Correspondent*

Meat exporters win awards

Two highly successful UK companies have won coveted Queen's Awards for Exports for meat they can no longer sell abroad. Associated Beef Processors and Eurostock Meat Marketing were told of their awards just as the EU recently refused to reconsider its ban on British beef exports.

"The bittersweet irony...did not escape our export team," said Mr Richard Cracknell, ABP's chief executive. "They have spent years building up a £75m export business which was, for largely political and speculative political grounds, being destroyed in front of our eyes."

Both companies had established leading positions in some of their markets - ABP sold prime beef to Italian supermarkets while Eurostock was the French market leader for offal.

Roderick Oram, Consumer Industries Editor

Queen's Awards, Pages 7-14

BBC Arabic service halted

The BBC said yesterday that Orbit Communications had ceased broadcasting the BBC's Arabic language news and information service to its Middle East subscribers. As a result the BBC ceased production of the eight-hours-a-day channel at BBC Television Centre. More than 200 were employed on the channel including 90 Arabic-speaking journalists.

Earlier this month Orbit, a Rome-based company owned by the Mawarid Group of Saudi Arabia and the BBC, both served notice that they intended to terminate the 10-year contract on the same day.

The BBC was concerned about interruptions to the service and Orbit found some of the the BBC material – such as a recent programme on the Saudi justice system – unacceptable. Negotiations on a financial settlement are continuing.

Raymond Snoddy, London

MPs urge 30% pay rise

MPs believe they could be offered a pay rise of more than 30 per cent to above £45,000 ($68,400) a year following an independent review headed by Sir Michael Perry, the chairman of Unilever, the Anglo-Dutch consumer products group.

Such an increase would be highly controversial, particularly given the current squeeze on public-sector pay, and a number of MPs would resist the move. But many believe parliamentary pay has fallen too far behind other salaries and have told the Senior Salaries Review Body that a significant increase is needed. Sir Edward Heath, the former prime minister, yesterday called for the number of MPs to be halved but for their salaries to be trebled to £100,000.

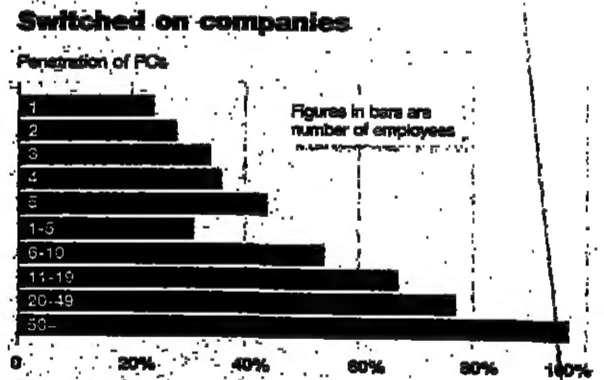
The Review Body was asked by the government to conduct an inquiry into parliamentary pay, allowances and pensions. It is due to present its findings by the end of June with proposals expected to be put to MPs the following month.

The inquiry followed a demand by more than 200 MPs of all parties for an independent review of their £34,850 salary. The review will also cover MPs' pensions, a subject of a keen interest to the large number who are standing down at the next election. *David Wighton, London*

55% of businesses still PC-free

Switched on companies

Penetration of PCs



Source: Banner & Co

Fewer than half of Britain's businesses have installed personal computers, according to the 1996 Banner Computer Readership Survey, although computer penetration in smaller concerns is still increasing. The survey, to measure the readership and purchasing habits of those responsible for buying computer equipment, reveals that 45 per cent of more than 980,000 businesses in the UK have PCs. Among the 35,700 large organisations – those with 50 or more employees – 97 per cent have computers. Only 41 per cent of those concerns with 49 or fewer employees have PCs, although their installation is up from 38 per cent a year earlier. *Paul Taylor, London*

Amec buys rail servicing company

Amec, the engineering and construction group, has bought South West Infrastructure Maintenance Company, the tenth of British Rail's track maintenance companies to be sold.

The £11m ($16.72m) deal brings to more than £150m the total raised by the sale of BR's track maintenance companies. Three have been acquired by management buy-out teams and seven by trade buyers. South West made a pre-tax profit of £1.9m on turnover of £93m in the 10 months to last February. It has been acquired with net liabilities of £1.2m.

The company employs 2,200 people and provides maintenance, engineering and construction services in a triangle bounded by London, Hastings and Exeter. It includes many busy commuter routes into London's Victoria and Waterloo stations. *Charles Batchelor, Transport Correspondent*

Government pressed on EU links

Sir James Goldsmith, the anti-European Anglo-French financier, yesterday issued a stark warning to senior members of the governing Conservative party that he would not drop his plan to field up to 600 Referendum party candidates at the next general election. In an uncompromising attack, Sir James accused the Conservatives of "appeasement" over Europe, and claimed that Mr Malcolm Rifkind, the foreign secretary, was in favour of a United States of Europe.

His words will dismay Mr John Major, the prime minister, who arrived home from the G7 Moscow nuclear summit hoping to promote the "benevolent economic situation" in the run-up to next month's local elections. Yesterday Mr Goldsmith confirmed that he was likely to stand as a candidate in Putney, south-west London, the parliamentary seat of Mr David Mellor, the pro-European Tory MP and former cabinet minister.

Financial Times Reporters

هكذا من الأصل

The Queen's Awards

FOR EXPORT, TECHNOLOGY and THE ENVIRONMENT 1996

Good reasons for celebration

Export success is one of the more optimistic sides to the UK's recent economic performance, says **Michael Cassell**

In the export game, anything goes. It might be shipping live baby eels to China or selling trendy baby clothes to Russia but the search by British companies of all types for new world markets has never been more necessary or more competitive.

Today, some of the companies which in the last year have succeeded in making overseas sales a strategic priority are rewarded with the granting of a Queen's Award for Export Achievement. They are joined by a small number of businesses winning accolades for technological or environmental achievement.

But exporters dominate the 1996 roll call. They inevitably include some of the country's most experienced exporters, used to selling products and services traditionally at the core of Britain's overseas sales effort.

But alongside the engineering companies, the steel products specialists and construction equipment manufacturers is a newly-emerging breed of exporters modest in scale but with global ambitions.

There are companies selling cat flaps, ceramic capacitors, body armour and bakery products. Included among them are businesses such as Biotrace, the Bridgend-based biotechnology company which epitomises the new generation of young, fast-evolving businesses exploiting highly specialist skills in world markets.

Biotrace, founded in 1986 and floated on the London Stock Exchange five years later, harnesses the enzyme which causes fireflies to glow in order to produce portable food and drink hygiene testing systems. The company only employs 80 people but is selling throughout Europe, the Baltic States, Russia and North America.

Along with the other award winners, the company is judged to have made an outstanding contribution to the "export-led recovery" much trumpeted by the present government. Britain's success in overseas markets has represented one of the more optimistic elements of its recent economic performance.

Improving competitiveness and growth in world trade helped the volume of UK non-oil exports in 1995 rise by 7.7 per cent over the previous 12 months. The value of non-oil exports rose from £126bn in 1994 to £144bn. Imports, however, rose from £141bn to £160bn.

The World Trade Organisation forecasts another year of robust trade growth in 1996, although the outlook is less certain within the markets or the European Union, the most important destination for UK products.

In recent weeks, fresh evidence has emerged of an economic slowdown in Europe, with trade between the UK and the continent falling steadily.

Sluggish economic growth in the UK has helped stem the flow of imports from other EU countries. Even so, the overall UK trade deficit remains stubbornly in place; the deficit on UK visible trade in January alone was an estimated £1.4bn.

Only the efforts of individual companies can combine to overcome such traditional economic weaknesses. Given their daily struggle to win customers, many of them might feel fully justified in regarding award schemes as a largely irrelevant diversion. Even so, 41,000 enterprises have put their names forward since the Queen's Awards began in 1966 and nearly 3,800 have won.

For them, the right to use the widely-recognised Queen's Award logo – not forgetting the accompanying invitation to a reception at Buckingham Palace – is one they consider well worth pursuing.

Peter Wood, a director of Glass Eels, the Gloucester business selling millions of baby eels to destinations which include China and one of this year's smallest export award winning companies, echoes the views of many of this year's 1,200 entrants: "It helps our employees recognise that we are being successful and I think it will also help to impress our customers."

This year, 107 export award winners – the lowest total since 1988 – will be able to put the theory to the test. Those companies which have won in the past – this year's export list includes 19 previous winners – admit that it is impossible to quantify the commercial benefit of picking up an award and there is always the potential for disappointment if one year's success is not repeated.

One inevitable spin-off from the steady rise in inward investment in the manufacturing sector is the growth in foreign-owned companies now exporting out of the UK. This year, 24 of the export awards go to companies with overseas parents, ranging from two communication systems subsidiaries of Motorola of the US to New Holland UK, the tractor manufacturer owned by Fiat of Italy.

Not all the overseas-owned manufacturers using the UK as a manufacturing base to supply other markets have such extensive operations.

An example is Pamarco Europe, a Cheshire-based business acquired in 1992 by US interests and which has won an export award at its first attempt.

The company, which employs the latest high-technology to engrave printing rollers and plates for use in the print industries, employs only 31 people and has an annual turnover of £3m. Terry Ford, vice-president, operations, Europe, says exports have almost trebled in the past three years, leaving half the company's sales accounted for by overseas orders.

Export awards are not confined to manufacturers. Invisible earnings, a critical element in the UK's world trading performance, worth about £20bn a year, are also recognised in this year's awards. Among the winners is Healey & Baker, the London-based property consultancy and the first business of its type to win an export award. The partnership's export earnings have more than doubled in the past three years.

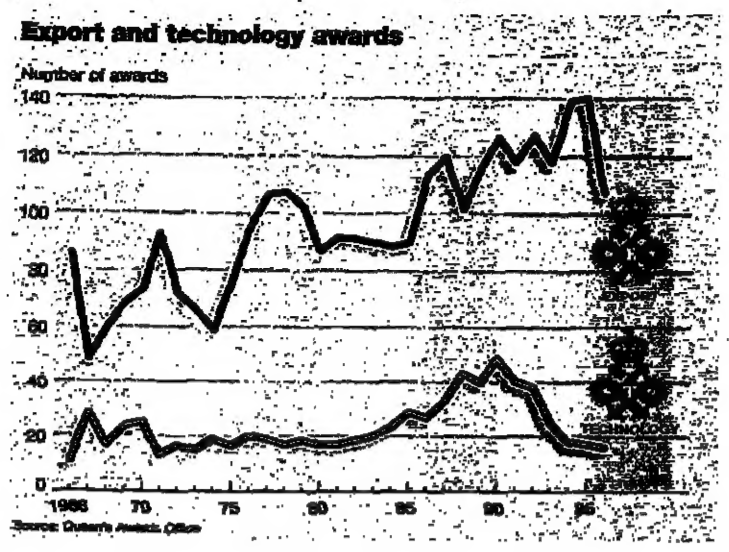
Other award-winning contributor's to UK invisible earnings include Bartle Bogle Hegarty, the advertising agency with main markets in Europe and North America, and Halcrow Holdings, the London-based engineering, planning and environmental consultants.

The technological achievement awards also reflect the ingenuity of the UK's healthcare industry, embracing research and development and the commercial exploitation of new products and processes. Half the 16 awards made this year in this category are healthcare-related.

Environmental achievement awards go to six companies, including Brook Hansen, the Yorkshire-based manufacturer of high-efficiency electric motors and Hoover of south Wales, for its environmentally advanced range of washing machines.

Continued on page 2

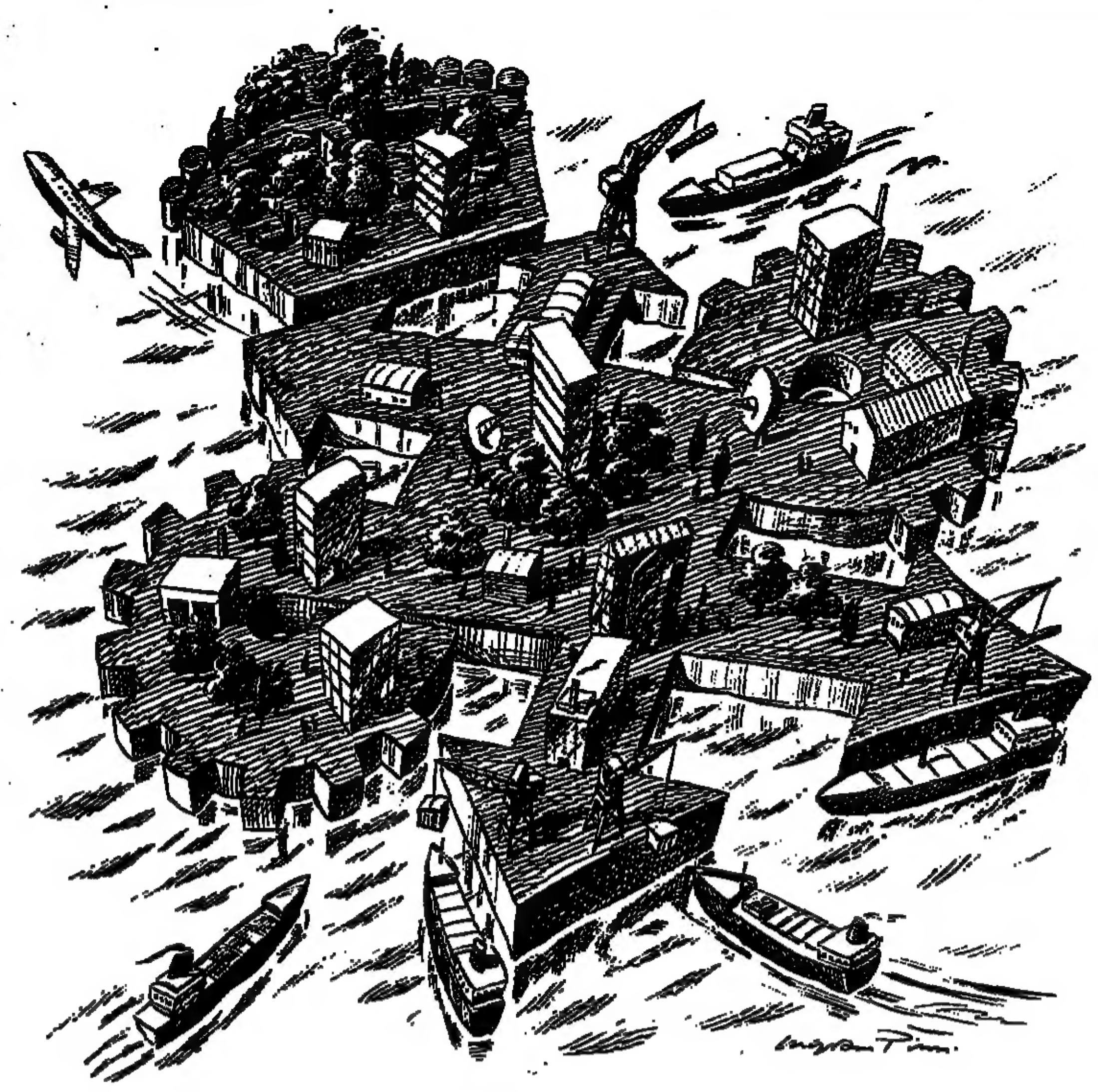
Export and technology awards



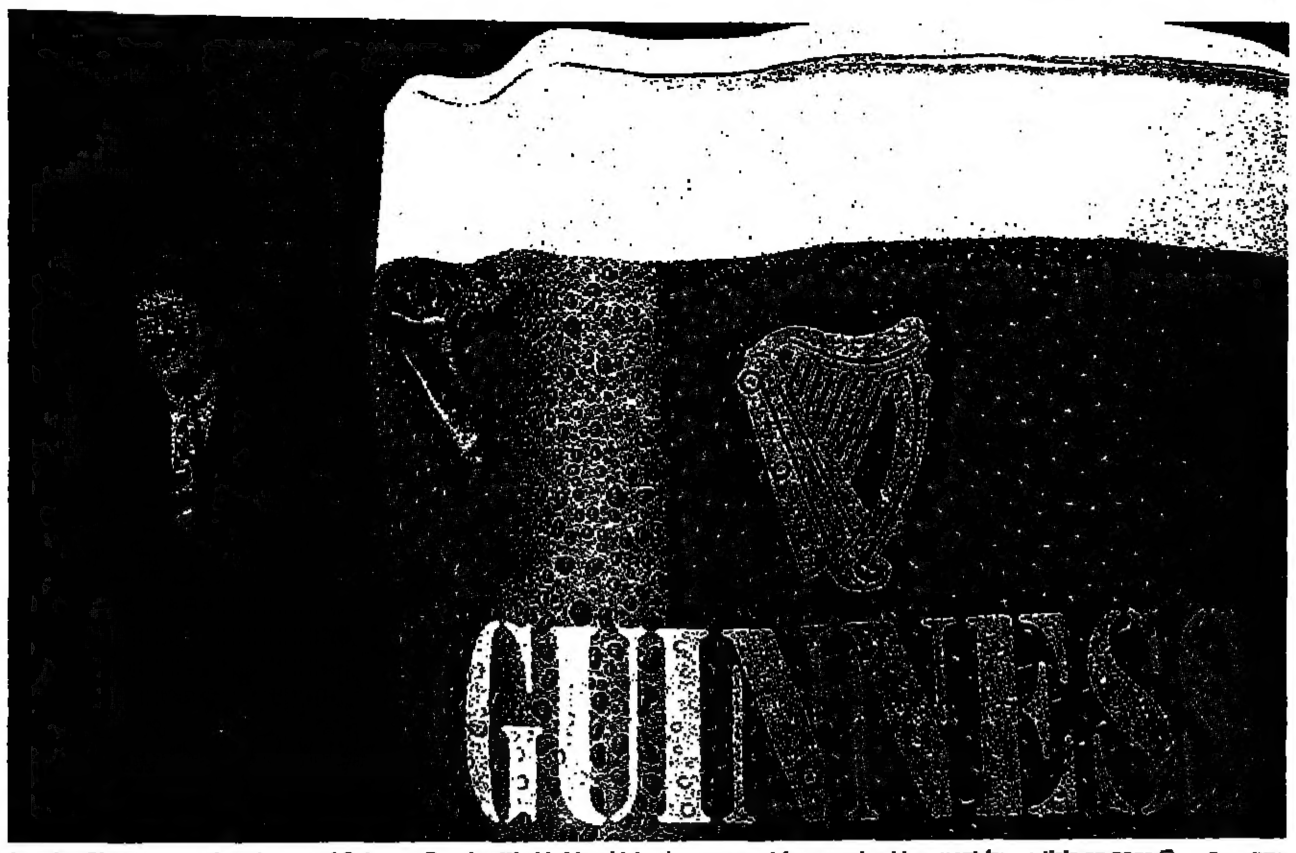
Source: Queen's Awards Office

Regional breakdown of export awards

Source: Queen's Awards Office



THE QUEEN'S AWARDS FOR INDUSTRY 1996



Brendan O' Neill, managing director of Guinness Brewing Worldwide which wins an award for export achievement (see article on page 5) Fergus Wilkie

More help needed

Continued from page 1

For ministers at the Department of Trade and Industry, the exporting efforts of British companies make welcome news. But the DTI, charged with working with the Foreign and Commonwealth Office to help the UK's exporting, is far from satisfied.

Included in last year's competitiveness white paper "Forging Ahead", the government pledged itself to helping at least 30,000 new companies to start exporting by the year 2000. At present, about 100,000 UK companies are actively engaged in selling products and services overseas.

As part of its programme, ministers are also committed to raising the level of professionalism of civil servants engaged on trade promotion by increasing secondments between the public and private sectors and extending training.

The appointment of export promoters, brought into the DTI from the private sector, to help spearhead export drives in target markets has been well received, although the impact of their activities is only just beginning to work through and is hard to evaluate.

In the financial year just started, the DTI plans to spend £64m on export promotion, nearly £10m more than in the previous 12 months. Ministers claim it will never have been easier for potential exporters to find a helping hand as they take their first, tentative steps into overseas markets. Decent rewards, not to mention Queen's Awards, may await those prepared to have a go.

The Queens Awards for Export Achievement

Company	Location	Product or development
A		
Anglo Beef Processors	Blisworth, Northamptonshire	Beef and lamb processing
Audience Systems	Westbury, Wiltshire	Seating systems for auditoria
Autoflame Engineering	London SE6	Combustion control equipment
Avesta Sheffield	Sheffield, Yorkshire	Stainless steel
B		
Bartle Bogle Hegarty	London W1	Advertising agency
Bass Beers Worldwide	Birmingham, West Midlands	Beer
Beamech Group	Manchester, Greater Manchester	Plastic foam-making equipment
Beck & Pollitzer Engineering	Dartford, Kent	Machinery installation, removal and relocation services
Biotrace	Bridgend, Mid Glamorgan, Wales	Hygiene testing systems
J. Blackledge & Son	Chorley, Lancashire	Waterproofed fabrics
Brett Martin	Newtownabbey, Co. Antrim, Northern Ireland	Plastic building products
Bridge of Weir Leather Company	Bridge of Weir, Renfrewshire, Scotland	Leather for seating and interior trims
British Chrome & Chemicals	Stockton-on-Tees, Cleveland	Chromium-based chemicals
British Steel Special Sections - Skinningrove	Carlin How, Cleveland	Custom designed steel sections
Burberrys, Manufacturing and Export Divn	London E9	Clothing
C		
Camlaw	Tamworth, Staffordshire	Heat treatment furnaces
Chadwyck-Healey	Cambridge, Cambridgeshire	Electronic and print publishing
The Chartered Association of Certified Accountants (ACCA)	London WC2	Accountancy professional and examining organisation
Toby Churchill	Cambridge, Cambridgeshire	Communication aids for people with speech disabilities
Cincinnati Milacron U.K., Machine Tool Divn	Birmingham, West Midlands	Computer numerically controlled vertical machining centres
Corsair Toiletries	St Albans, Hertfordshire	Toiletry and household products
D		
Dairy Produce Packers	Coleraine, Co. Londonderry, Northern Ireland	Processed cheese
Designers Guild	London W11	Furnishing fabrics, wallpaper and soft furnishings
Digi-Media Vision	Eastleigh, Hampshire	Video commpression systems
Dunlop Hydraulic Hose	Gateshead, Tyne & Wear	Reinforced rubber hydraulic hose
E		
E.B.I. Foods	Abingdon, Oxfordshire	Food stabilisers and ingredients
Edwards High Vacuum International	Crawley, West Sussex	High vacuum pumps, systems and instrumentation
English Hop Products	Tonbridge, Kent	Hop products and raw hops
Epichem	Bromborough, Merseyside	Speciality chemicals for use in semi-conductors
Eurostock Meat Marketing	Newry, Co. Down, Northern Ireland	Offal processors
Evans Medical	Leatherhead, Surrey	Pharmaceuticals and human vaccines
F		
Fermec Holdings	Manchester, Greater Manchester	Light construction equipment
J & S Franklin	London WC2	Tents, shelters, camouflage netting and a range of personal equipment
G		
GPT Public Networks Group	Coventry, West Midlands	Telecommunication products and services
Gerigue	London SW5	Woven fabrics
Gates Power Transmission	Heathhall, Dumfries, Scotland	Synchronous timing belts
Genesis Tilemates	Stokesley, North Yorkshire	Finishing profiles for construction industry
Glass Eels	Gloucester, Gloucestershire	Live baby eels
Gossard	Leighton Buzzard, Bedfordshire	Ladies' lingerie and foundation garments
William Grant & Sons	Motherwell, Scotland	Scotch whisky and other beverages
Guinness Brewing Worldwide	London NW10	Alcoholic and non-alcoholic beverages
H		
HSB Engineering Insurance	London EC3	Engineering insurance and consultancy
Halcrow Holdings	London W6	Water and environmental consultancy
Healey & Baker	London W1	Property consultancy
I		
International Diamalt Co	Newark, Nottinghamshire	Malt extracts and cereal syrups
International Labmate	St Albans, Hertfordshire	Journal publishing
IPTest	Guildford, Surrey	Automatic test systems
J		
JCB Materials Handling	Rocester, Staffordshire	Telescopic material handlers
JCB Special Products	Stoke-on-Trent, Staffordshire	Compact machines
L		
Laminar Medica	Tring, Hertfordshire	Insulated shipping systems
Lilly Industries	Basingstoke, Hampshire	Pharmaceuticals
Lombard Risk Systems	London EC4	Software for banking and financial sector
M		
Magneco/Metrel UK	Shildon, County Durham	Ceramic materials
Maybridge Chemical Company	Tintagel, Cornwall	Research chemicals for biological screening
McCalls Special Products	Sheffield, Yorkshire	Threaded bar systems
McKechnie Vehicle Components, Extrusion Operation	Milton Keynes, Buckinghamshire	Fuel, vent and brake lines
Mechatherm International	Kingswinford, West Midlands	Industrial furnaces and ovens
Mivan	Antrim, Co. Antrim, Northern Ireland	Construction
Mobile Systems International	London E14	Software
Molypress	Calne, Wiltshire	Refractory metal products
Abraham Moon & Sons	Leeds, West Yorkshire	Woven wool apparel fabric
Morrisflex, Consumable Tools Division	Daventry, Northamptonshire	Rotary deburring tools
Morrison Bowmore Distillers	Glasgow, Strathclyde, Scotland	Scotch whisky
Motorola, European Cellular Infrastructure Division	Swindon, Wiltshire	Radio telephone communication systems
Motorola, Europe, Middle East & Africa Cellular Subscriber Division	Bathgate, West Lothian, Scotland	Cellular telephones
Mott MacDonald Group	Croydon, West Sussex	Engineering consultancy
Mulberry Company (Design), Home Division	Shepton Mallet, Somerset	Furnishing fabrics and interior design accessories and furniture
N		
New Holland UK	Basildon, Essex	Tractors and components
Newbridge Networks	Newport, Gwent, Wales	Digital transmission products
Nikwax	Wadhurst, East Sussex	Consumer products for waterproofing clothing, outdoor equipment and footwear
Nortel Radio Infrastructure – GPS Unit	Paignton, Devon	Equipment to simulate radio frequency signals
O		
Ocular Sciences	Southampton, Hampshire	Soft contact lenses
Orb Electrical Steels	Newport, Gwent, Wales	Electrical steel
Oxford Metrics	Oxford, Oxon	Systems used to capture and analyse human motion
Oxford University Press	Oxford, Oxon	Academic journal and book publishing
P		
Pamarco Europe	Warrington, Cheshire	Printing rollers and plates engraving
Paper Makers Export	Wellingborough, Northamptonshire	Paper
Paradise Datacom	Tiptree, Essex	Digital satellite communication equipment
Parkman Consultants	Sutton, Surrey	Engineering consultancy
Percell Group	Newport, Gwent, Wales	Money counting systems
Puretone	Rochester, Kent	Hearing aids and in-ear monitors
Q		
Queensgate Instruments	Bracknell, Berkshire	Wavelength demultiplexors and equipment for the semiconductor and disk drive industries
Quick Controls	Manchester, Greater Manchester	Touch display systems
R		
RBR Armour	London SE1	Body armour, combat helmets and ancillary equipment
Rellor	Preston, Lancashire	Cat flaps and dog doors
Reynard Racing Cars	Bicester, Oxon	Racing cars and components
Robinson Special Packaging	Chesterfield, Derbyshire	Spirally wound paperboard packaging
Robobond t/a Emafyl	London SE18	Picture frame mouldings
S		
Segal Quince Wicksteed	Cambridge, Cambridgeshire	Economic development consultancy
Sinclair International	Norwich, Norfolk	Fruit labelling systems
Smith's Environmental Products	Chelmsford, Essex	Fan convector heaters
Speedibake	Northampton, Northamptonshire	Frozen bakery products
Statestrong	Lytham, Lancashire	Aerosol toiletries
Steel Wheels	Cookley, Worcestershire	Steel wheels
Storehouse	London NW1	Clothing, homewares and shop fittings
Swiftpack Automation	Alcester, Warwickshire	Automatic counting machines
Syfer Technology	Norwich, Norfolk	Multilayer ceramic capacitors
T		
Terex Equipment	Motherwell, Lanarkshire, Scotland	Off-road dump trucks and scrapers
Thermopol	Crawley, West Sussex	Silicone rubber hoses
TRAK Microwave	Dundee, Tayside, Scotland	Ferrite microwave components
U		
Unipath, Consumer & Clinical Diagnostics	Bedford, Bedfordshire	Consumer and clinical diagnostic products
Universal Bulk Handling	Burscough, Lancashire	Intermodal tank containers
V		
Van Leer Metallized Products	Caerphilly, Mid Glamorgan, Wales	Metallized film and packaging paper
Visual Communications Group	London E14	Reproduction rights to photographic images
W		
Weetabix	Kettering, Northamptonshire	Breakfast cereals
Willis Corroon, Financial Risks & Specie Division	London EC3	Insurance and reinsurance broking consultancy
Windsong International	Orpington, Kent	Pre-recorded tapes, CDs, video cassettes, records and associated products

مكرر من الاصل

■ **Food products:** by Roderick Oram

Deals on live eels

This year's winners include a company that exports elvers to markets in the Far East

High tech cheese and garlic bread for the continent and elvers for Asia are just three of the food products which awardwinning UK companies send abroad.

Glass Eels of Gloucester, named after the transparent baby eels, has a guaranteed market in one respect: eels do not breed in captivity. They spawn only in the Sagasso Sea in the South Atlantic. As the larvae drift across the Atlantic they develop into elvers seeking out Europe's rivers.

Fishermen on the Severn and other British rivers net elvers and sell them to Glass Eels for anywhere from under £50 to more than £100 a kilo depending on the supply and demand during the elver season of Februrary to May.

The elvers are "rested" for a few days before starting a wildly different journey by air at the whim of man. Six hours before flight time, they are packed in small polystyrene containers in ice cold water that makes them drowsy. They are driven to the airport and airfreighted to the four corners of the world.

Asia is a popular market. The elvers are farmed there, developing into the tasty, expensive delicacy prized in Japan and other countries. Glass Eels also helps foreign customers develop their eel farming skills.

But European markets such as Italy, Greece and Sweden also show strong demand for eels for farming and re-stocking rivers, says Sarah Officer, of Glass Eels.

While the success of Glass Eels, set up in 1990 by Peter Wood, a local businessman, hinges on the mysteries of nature, the success of Dairy Produce Packers is rooted more firmly in high technology.

The Coleraine, Northern Ireland company uses high science to tailor its processed cheeses to its customers' needs. Melting points are critical, for example, to fast food chains, makers of microwave meals and other users of the company's cheese.

"We have a big market share in these areas," says Garnett Faulkner, commercial director.

> The tasty, expensive delicacy is prized in Japan and other countries

Its use of technology to achieve different "melt characteristics" is one of the company's selling points. "Close working relationships with our clients has, I believe, been the key to our success."

The company is the largest maker of processed cheese in the UK and its parent, Golden Vale Group of Ireland, is the fourth largest in Europe.

Dairy Produce, which exports about 45 per cent of its output, began exporting in the mid-1980s and has sales offices in the Netherlands, Spain, Denmark and France.

It is now looking beyond Europe to Japan, elsewhere on the Pacific Rim, the Middle East and Africa. The company is investing £7m this year on a new plant in Coleraine just for catering production lines.

Garlic bread sold on the continent is one of the products of Speedibake, the Northampton subsidiary of Associated British Foods. It has bakeries in Northampton, Wakefield and Bradford and employs 460 people. Founded in 1954, its annual sales are about £100m at retail prices.

"Export sales have grown dramatically over the past three years and account for 10 per cent of total sales," says Robert Vance, sales and marketing director. It sells to eight European countries.

Among other food awards, Weetabix of Kettering has won its third this year to add to those of 1974 and 1991.

The company, established in 1932, exports its distinctive range of breakfast cereals to the continent, Far and Middle East, the Caribbean, South America and Africa.

EBI Foods of Abingdon, has won an award for its exports of food stabilisers and ingredients for the dairy, meat and poultry businesses. Export markets include the European Union, Far and Middle East and several new ones, such as South Africa and India.

Founded in 1984, it is minority owned by Anthony Taylor and Edward Fox, two of its executives, and majority owned by Elgin Blenders of the US, a subsidiary of Dean Foods, according to a Dun and Bradstreet report.

The company has just under 30 employees.

PROFILE Oxford Metrics: motion capture and analysis system

Technology in motion

A system tracking human movement has proved a winner in global markets, says John Simkins

The movements of figures in sporting video games, such as golf or football, are becoming increasingly realistic and three-dimensional. This is partly thanks to the Vicon motion capture and analysis system developed by Oxford Metrics.

The Oxford-based company, a Queen's award winner this year, exports 90 per cent of its turnover. Its biggest markets are the US and Japan.

Although the newest application of Vicon is in animation for films, special effects, television commercials and video games – with Jim Henson's Creature Shop among the users – the main outlet for the system is the medical market.

The system enables surgeons to treat children with walking disorders caused by cerebral palsy, and is used to assess other disabilities affecting mobility including limb amputation, Parkinson's disease, hemiplegia and spinal injuries.

The main Vicon range, costing from £70,000 upwards, is exported to more than 20 countries and is installed in many US children's hospitals. The Nuffield Orthopaedic NHS Trust in Oxford is among the British users.

Oxford Metrics was set up in 1984 by Dr Julian Morris, its managing and technical director, as a management buy-out from Oxford Instruments. The company has worldwide annual sales of about £3m, a 20-strong workforce at Oxford, a US subsidiary in Baton Rouge, Louisiana, and a distributor in Los Angeles.

Dr Morris's interest in motion capture dates back to the 1970s when he was a researcher in orthopaedic engineering at Oxford University.

Motion analysis techniques then involved the laborious frame-by-frame measurement of cine film.

The Vicon system, which he first commercialised at Oxford Instruments, tracks the motion of reflective markers attached to various points of the body, or other moving subjects.

Tracking is achieved through synchronised, high-resolution video cameras producing images which are transmitted to a computer. The computer software combines the camera images to determine the three-dimensional location of each marker in each video frame, allowing movement of the limbs to be measured and analysed.

The result, when applied to video games such as a recently released Diehard action adventure, means that actors supply the movements used as the basis of animation.

Pete Meddings, Oxford Metrics' sales and marketing manager, says that the shift to motion capture, as opposed to traditional computer-aided animation "is quite dramatic in video games. It is a young and vibrant industry and motion capture enables it rapidly to produce realistic animation."

He forecasts that the company's recently formed entertainment division will make as big a contribution to profits as the medical business within two years.

The system helps treat children with walking disorders

PROFILE Reilor: cat-flap makers

Accolade for pet favourite

When Reilor decided to manufacture cat-flaps in the 1960s it realised it could not use stainless steel, from which it made door furniture. The sharp edges would risk turning all feline users into Manx cats.

"This was not the way to look after cats," says Brian Kerr, managing director of Reilor of Preston, in Lancashire. So the company, set up in 1937, switched to plastics and holds 85 per cent of the UK cat-flap market. Although Reilor still makes door furniture, its Staywell cat-flap, a simple device fitted to a hole cut in a door, accounts for the bulk of annual sales of nearly £6m.

Reilor estimates that despite Britons' love of cats, only a fifth of owners have cat-flaps. Much of its business comes from repeat orders when owners and their cats move house, so sales are affected by the state of the housing market.

Mr Kerr, who joined Reilor three years ago from Berger Paint, says that during the recession the company had to find a way to expand. "We decided to export ourselves out of recession," he says. Over those three years Reilor has increased its exports by 50 per cent to a total of £2.5m in 1994-95, securing a Queen's Award for export.

The company employs between 65 and 75 people depending on the season. "In mid-winter no one wants to cut a hole in a door, while in spring and autumn people are into DIY," says Mr Kerr. The most up-to-date cat-flaps can be programmed to admit only the owner's cat with its personalised microchip collar.

Although cats are not pampered everywhere overseas – and even end up in the cooking pot in some countries – Reilor has not met consumer resistance abroad. Temperate zones offer the best opportunities – in hot countries doors are kept open. Western Europe, with only one rival manufacturer, is Reilor's best market, with Dutch, French and Germans customers to the fore. The company employs export staff with language skills who ensure that the product, and packaging, is acceptable to each market.

Reilor does little business in Asia but is hoping for growth in eastern Europe after a successful launch in Russia. It turned down a huge order from Nigeria for fear it would not get paid, but sales are good in Japan where cats are forbidden to roam and cat-flaps allow the animal access to an enclosed space such as a patio.

Mr Kerr says the company has barely scratched the surface in the US market, where it has a subsidiary and where its founders, Reid and Taylor (hence Reilor) originally came across the cat-flap.

John Simkins

THE QUEEN'S AWARDS FOR INDUSTRY 1996

New markets: explosive growth is taking place in the communications sector

■ **Telecommunications:** by Alan Cane

Transmission possible

Five companies have been honoured for their role in the digital revolution

The explosive global growth of the information and communications sector – which is expanding at twice the rate of the rest of the world economy – is helping to restore the UK's reputation as a commercial force in technology, even if there is a significant overseas interest among this year's winners.

Five communications companies this year share six Queen's Awards for Export Achievement. For one of them, the public networks group of GPT, the UK's largest telecoms hardware manufacturer, it is the "great comeback story", according to Alex Findlay, director of the group's international business division.

The group had been performing poorly at the turn of the decade. Now, after sharp refocussing of its activities, it can point to three years of successful exports, selling the most advanced networking products to more than 100 countries.

Its technologies include the System X exchange, which is at the heart of the UK's public telephone network, the Synchronous Digital Hierarchy (SDH), which underpins many modern transmission systems and intelligent network solutions – essentially computers that can be attached to switching systems to broaden their range of capabilities and the kind of services they are able to offer.

In each of the past three years, GPT, which is majority owned by GEC of the UK with Siemens of Germany having a minority stake, has doubled its sales export figures according to Tom Hodgson, marketing director. It leads in some key areas, with 28 per cent of the world market for SDH transmission systems: it has installed more SDH systems in France than Alcatel, the French company that is the world leader in telecoms hardware.

For the UK subsidiary of the Canadian company Newbridge Networks, 1996 has brought its third Queen's Award. A world leader in advanced data transmission technologies, the company has been ideally placed to exploit the current interest in Asynchronous Transmission Mode (ATM), a technique that wraps chunks of digital data in electronic packages complete with forwarding addresses and transmits them at high speed. Voice, video and data traffic can be transmitted over a single line using ATM technology.

Big contracts secured by Newbridge last year include a $50m, two-year, networking project for the Swiss telephone authority. Earlier this year, the company established an alliance with Siemens to attempt to secure a larger share of the world market for ATM technology.

Two UK units of Motorola, the US semiconductor and mobile communications manufacturer, won awards this year, both for the second year running. Their success reflects the worldwide enthusiasm for mobile telephony and in particular for GSM technology, which is rapidly becoming the world standard. The first, the European Cellular Infrastructure Division based in Swindon, designs, manufactures and installs computer-based radio telephone systems.

The infrastructure division builds, in fact, the base stations, the radio circuitry and computer controls that make cellular telephony possible. In the past 12 months it has won orders for radio telephony infrastructure throughout the world and is working on advanced digital voice and data communications.

The second, the European Cellular Subscriber Division, which is based at Easter Inch in Scotland, makes cellular handsets and exports them to Africa, China, Japan and Russia. The facility, which makes both analogue and digital phones, employs some 2,000 people.

Among its more interesting products is the "Startac" wearable phone, said to be the smallest and lightest on the market. Another development is the Map phone, which will give access to voice, data, electronic mail and the Internet through touch screen technology.

Mobile Systems International is a six-year telecoms software group based in London's docklands. It was founded with the aim of developing software and consultancy services for the design, planning and operation of wireless networks for mobile phones, pagers and other radio-based services.

It now has a turnover of £25m and more than 350 employees in six offices around the world. Its "Planet" software is used to design and plan digital radio networks in more than 50 countries.

According to MSI, virtually all the world's leading manufacturers and some 70 operators design cellular networks using Planet. Essentially, the software is able to manipulate a broad range of geographic information about a country to enable planning down to the nearest square metre.

The next challenge for the company will be the introduction, probably next year, of dual mode handsets capable of working at two different frequencies. John Carrington, managing director, says: "Our success is built around our extensive knowledge of telecoms. This is expressed both in the expertise of our people and in our state-of-the-art software products".

Perhaps the most unusual winner in the telecoms group is the GPS Unit of Northern Telecom, the Canadian telecoms manufacturer, based in Paignton, Devon.

It designs, develops and manufactures equipment to simulate radio frequency signals emanating from satellites. These simulations are used to test global positioning receivers – devices that are able accurately to pinpoint their location on the earth's surface – by pretending that the apparatus is placed in boats, aeroplanes and so on.

Global positioning systems have become increasingly popular as their price has fallen. The unit's principal markets are in North America and Europe with considerable interest now being shown from Japan.

■ **Steel products:** by Stefan Wagstyl

New markets for old mills

How four steel product makers have compensated for a slump in their domestic market

Anyone wanting to buy their way into export success would be well advised to take a look at McCalls Special Products.

For this award-winning maker of steel ties for the building industry was put up for sale earlier this year by its parent group, ASW Holdings. "You can say it's ironic," says James Edie, managing director of ASW's construction systems business, which includes Sheffield-based McCalls.

ASW is selling the business in order to concentrate on its core operations making steel beams and wire and to cut its debt. Mr Edie believes it will have little trouble selling McCalls, given its strong recent record.

McCalls is one of four steel products companies to have won the Queen's Award for Export Achievement for 1996.

The others, all affiliates of British Steel, the UK's dominant producer, are: Orb Electrical Steels, of Newport, Gwent, Avesta Sheffield, the stainless steel company, and British Steel Special Sections, of Skinningrove, Cleveland.

McCalls itself was a subsidiary of British Steel until it was sold to ASW in the early 1980s. The company profited greatly from last decade's boom in the UK construction industry. Its main products are the steel ties that are used to anchor and hold together beams on large buildings.

The slump in construction at the end of the 1980s put McCalls under great pressure to find new markets. Mr Edie says: "We had been serving our protected market in the UK. Now we had to look overseas."

Fortunately, the company was well placed to develop export sales because of its links with UK-based consulting engineers and architects, which manage many large overseas projects. Sales soared, doubling to £10.5m annually in the five years to 1995, with the export share growing to 65 per cent.

McCalls supplied ties for Kansai International Airport, in Japan, the Johannesburg Athletic Stadium, and the Cardiff Bay Barrage.

The company doubled its staff from 50 to 105 and opened overseas offices in Kuala Lumpur, Hong Kong, Paris and Lisbon.

Orb Electrical Steels, a subsidiary of European Electrical Steels, a joint venture between British Steel and Svenskt Stal of Sweden, won its award after raising exports to 60 per cent of total sales.

The company, which had a turnover of more than £100m in the year to March 1995, produces high-quality precision steels for electricity generation and transmission equipment and for motors and electrical appliances. It employs 538 people, mostly at its plant in Newport where it first started production in 1898.

The company says that it is the only electrical steel maker with a laboratory handling work for the government-sponsored National Measurement and Accreditation Service.

Avesta Sheffield, the UK's largest stainless steel maker, exports to more than 50 countries.

> Avesta has increased its exports by 96 per cent in the past three years

The company was formed in 1992 by the merger of Avesta of Sweden and the stainless steel interests of British Steel. Covering the UK interests of the merged companies, it is 51-per-cent-owned by British Steel.

Avesta has increased exports by 96 per cent in the past three years, mostly to continental Europe, which accounts for 75 per cent of the company's overseas sales. Important orders include a £4.5m contract for sheet for cladding the Petronas Twin Towers skyscrapers in Kuala Lumpur and sheet worth £250,000 for the new Court of Human Rights building in Strasbourg.

Jerry Gorman, executive vice-president, says: "This company has been through some major changes in recent years to develop a highly efficient streamlined operation, which has dramatically increased its output."

British Steel Special Sections, which employs 35[illegible] people, makes custom-designed steel sections that are used as components for mechanical shovels and other earth-moving, construction and handling equipment, and for shipbuilding.

Exports, which account for more than 80 per cent of sales, have risen from 91,000 tonnes in 1991-2 to 186,000 tonnes in 1995-96. The company is the first non-US business to win certified supplier status from Caterpillar, the American construction equipment maker.

It says its recent success has been founded on the £20m modernisation of its rolling mill, which, carried out in 1990, increased efficiency and quality.

Mike Grimble, the managing director of British Steel Special Sections, says: "This demonstrates what can be achieved on an international stage by a small operation ... The strong community spirit at Skinningrove, with a high proportion of the workforce living in the local villages, has been a big help in our success."

PROFILE Sinclair International: fruit-labelling specialists

Yes, we can do bananas

The apples advance in single file at a cracking pace of up to 800 per minute. At the end of their sprint, at least 85 per cent of the fruit will bear a tiny label, providing point-of-sale brand promotion wherever they are sold.

In the US now, and soon in other countries, that little label carries a code to help solve one of the frustrations of supermarket shopping – the delay while the check-out clerk decides what variety of fruit to charge for.

And when you are ready to bite into that apple, you no longer need to worry about breaking its skin as you try to peel off the label. A tab sticks up to enable the label be seen and then lifted off.

Advances such as these have won Sinclair International, the Norwich-based fruit-labelling specialist, its second award for exports in five years. Exports to 30 countries account for more than 98 per cent of sales.

In the 14 years since it was founded by Peter Briggs, Sinclair has established world leadership in providing "total solutions" for labelling fresh produce. It does not just supply the machines, which can be adapted to label anything from a mandarin to a melon. It also services them and designs and manufactures the labels.

Increasingly, moreover, it is taking a lead in helping to develop world standards for "price look up" (PLU) numbers on produce labels. Through their Produce Marketing Association, US retailers have taken the lead in introducing PLU numbers which perform the same function as bar codes.

Sinclair's campaign to persuade other countries' retailers to adopt the US numbering system has been boosted by the release of enough 4-digit PLU codes to accommodate 2,000 varieties of fresh produce. The company has more than 95 per cent of the mechanised PLU market.

It has developed a number of products for special market needs. They include a programmable labeller that can label individual fruits positioned in trays, at the rate of up to 30 trays per minute.

The tab-lift label, another such innovation, is used on all apples exported from South Africa and New Zealand. The label is made of thin polyethylene laminate, so it requires only a small amount of natural adhesive.

Mr Briggs, chairman and chief executive, says this is one example of Sinclair's using its research and development to anticipate customer demand.

Sinclair, which employs 94 people in Norwich, is also breaking into markets where the low cost of labour has preserved hand-labelling. It has developed a system to meet the cost-conscious demands of a Moroccan customer.

Bananas, one of the first fruits to be "branded", posed special problems and had stickers put on by hand because of cost and because a bunch is not an easy configuration to label mechanically. The company has now won its first banana-labelling contract in Australia.

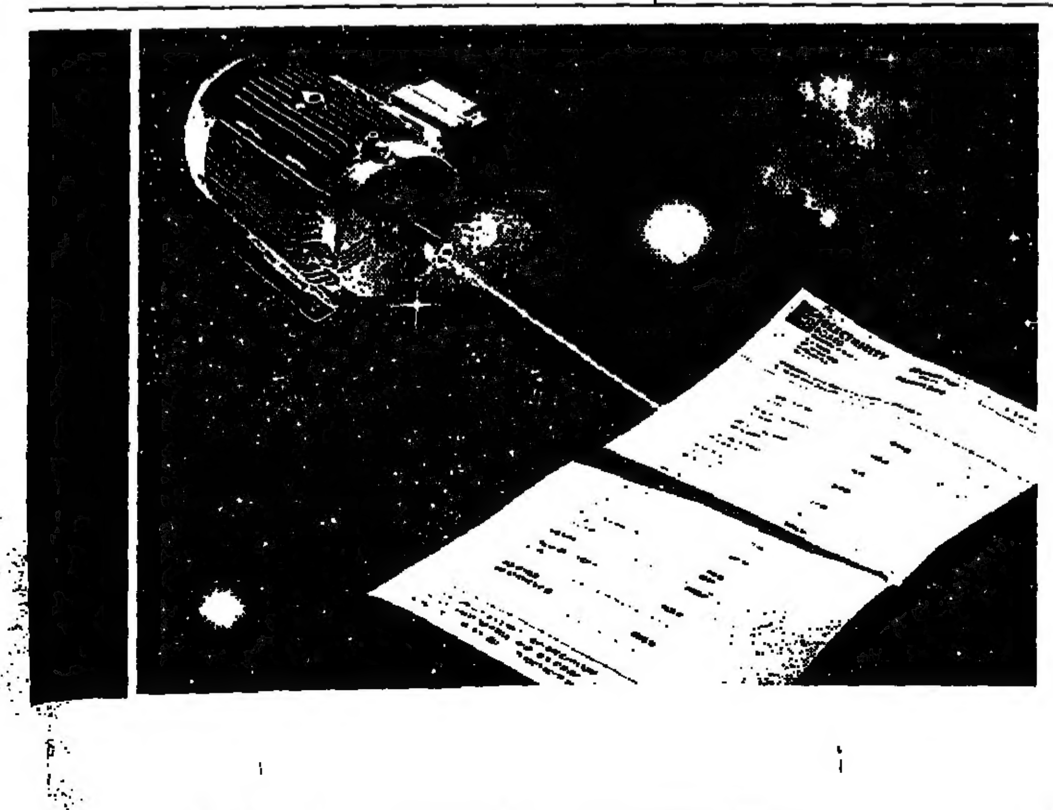
In other markets, speed is of the essence. In New Zealand's 12-week apple packing season and six-week kiwi fruit season, a total of 4bn fruits must be handled.

Sinclair retains ownership of its labelling machines, servicing them and providing spare parts for no charge. In most cases, it provides the flexible applicators to customers against a four-year labelling contract. "We can label an avocado with the same machine that we label an apple or a kiwi fruit," says Tony Sayle, international marketing director.

Labels are often produced to very short lead times, and the high quotient of service in Sinclair's package for customers means that most management, marketing, service and technical personnel travel regularly.

Mr Briggs says Sinclair can produce in Norwich as a single-site manufacturer as cheaply as anywhere in the world. Norwich also has access to KLM's international network through Air UK's feeder flights to Schiphol airport.

Clay Harris



هكذا من الأصل

■ **Healthcare products:** by Motoko Rich

Small turns out to be profitable

This year's winners demonstrate that exports can be achieved without huge budgets

A large staff, multinational brand and big budget are not necessary to excel in export markets – a fact well-proven by the healthcare winners of the Queen's Award for Export this year.

Included in the list of winners are a family-owned and run maker of communications equipment with 20 staff and annual sales of £2m; a small, Blackpool-based aerosol toiletries manufacturer; and a pharmaceutical transport carton maker which is just moving out of its 15,000 square foot office.

Toby Churchill, the Cambridge-based manufacturer of communication aids for people with speech disabilities, derives 50 per cent of its annual turnover from exports. Its largest market is the US, followed by Europe – with a large market in Scandinavia – Australia and New Zealand.

Toby Churchill, managing director, invented the first "Lightwriter" – a dual-screened electronic device which also has speech synthesis capability – and began selling them in 1973.

Mr Churchill, who was paralyzed after contracting a virus and is unable to use his voice, continues to oversee the R&D team, while his wife, Sheila, manages the administration of the business. His younger brother, Simon, is marketing director.

The company sells direct to hospitals and private individuals in the UK, and uses distributors abroad. Its distributor in the US, Zygo, an Oregon-based communications equipment maker, is the former employer of Sheila, who met Toby via fax.

The group is now investing in another factory unit in Cambridge. Another rapidly expanding export award winner is Statestrong, an aerosol toiletries-maker, which has recently doubled its manufacturing capability to meet demand, largely from exports.

"We have targeted exports as being the way forward for the company," says Stephen Baptist, Statestrong's chairman and managing director. "It was the only growth that I could foresee 12 years ago when we took over the business because the UK market has been somewhat in decline."

Statestrong, which was founded about 50 years ago by the Slater family, was a UK pioneer in aerosol products. Today about 80 per cent of its sales – expected to be about £25m in the year to June 30 – are derived from exports. Its main markets are eastern Europe, the former Soviet Union, and now, Asia. The group has received its first orders from Thailand and China. "That is where we see the company's future growth," says Mr Baptist.

> 'Overseas markets are much larger and there is much more to go for'

The group has not always enjoyed such success. It ran into troubles in the early 1980s, shortly after Mr Baptist joined the group as a line manager, and was put into receivership by its banks in 1983.

A group of four businessmen rescued the business, and changed its name from Blackpool Aerosols to Statestrong. Shortly after the group's resuscitation, Mr Baptist decided to buy shares – he now owns about 12 per cent of the total – and subsequently he ascended the company ladder, reaching the managing director's office seven years ago.

Mr Baptist said the group was now setting its sights on South America, where it hopes to begin selling within the next 12 months.

Laminar Medica, which makes shipping systems for the transport of temperature-sensitive pharmaceutical products, is considering the expansion of its product offer rather than its geographical spread. "Our shareholders want us to invest in expanding the things that we do and the range that we can offer," says Quentin Shrimpton, operations director at Laminar.

The company is considering offering its product to the food industry, which it believes is not well-served for international transport.

The company, which makes cardboard and polystyrene carrying cases, has helped international pharmaceutical groups transport drugs, vaccines and other products which need exact temperatures to travel.

"We provide the system whereby they can ship with relative impunity," says Mr Shrimpton. "We help them make sure their products get to the end patient in a viable form."

Without such systems, some groups have been forced to rent out entire refrigerated trucks just to carry a few vials of a vaccine. Laminar's system is tailored to the needs of the product and therefore can be made small enough to be shipped by air.

Exports, which have grown by 50 per cent since 1993, have helped the company to fund the expansion of its facilities from 15,000 to 30,000 sq ft.

Although Biotrace, whose testing systems are used by food and drink manufacturers to check the cleanliness of their production lines, fell deeper into the red last year as a result of expansion into export markets, it believes its new chief executive, Jim Keir, will help the group exploit this investment.

The group, which derives 55 per cent of its sales from exports, says export markets are the most exciting.

"Overseas markets are much larger and there is much more to go for," says Ian Johnson, marketing and development director.

■ **Drinks:** by James Buxton

Pints pulled abroad

A Bass unit has found new markets overseas for a traditional British product

With imported lagers on sale in almost every pub in England, an Englishman might be forgiven for thinking that foreigners drink nothing but lager or other "blond" beers.

Nothing could be further from the truth, however, as is demonstrated by the export performance of Bass Beers Worldwide, which has won a Queen's Award for Exports.

"Our flagship international product is Bass Ale," says Simon MacDonald, managing director of the Birmingham-based division. Bass Ale, a bitter or pale ale, has benefited in the past eight years from what he calls a "taste explosion" in the US, as drinkers have turned from lagers towards fuller tasting beers.

Bass Ale, which Bass has exported since 1799, is now the best selling imported draught ale in the US, according to the company. Two important factors work in favour of Bass Ale in markets such as the US: the heritage of Britain, which drinkers feel they are imbibing with the beer, and the cachet conferred by the "imported" tag.

Bass Beers Worldwide sells beer through 500 distributors in a wide variety of markets and supports the development of British-style Bass public houses in Europe, where there are now about 100. Its exports, accounting for a third of the 3m barrels of beer exported each year by the UK, have increased by 45 per cent in the past three years, and account for nearly 10 per cent of Bass's beer output by volume.

Bass Ale is brewed at the Cape Hill brewery in the heart of Birmingham. The company also exports Tennents lager brewed in Glasgow – "a genuine Scottish lager heritage," Bass says. Following the group's purchase in 1993 of a stake in a brewery in Prague, the group added Staropramen, a Czech lager, to its portfolio, selling it in the US, Italy and Spain, as well as the UK.

Guinness stout, exported to 150 countries, has helped Guinness Brewing Worldwide win its first Queen's export award. Guinness claims it is the world's most widely-distributed beer. It is exported to the US, the Far East (especially Hong Kong, Australia and New Zealand) and Europe, notably Italy and Germany.

Guinness also supplies the essential ingredients of its stout to 47 countries, enabling local breweries to produce it locally. Its biggest markets include Nigeria, Kenya, Jamaica, Malaysia, Singapore, Ghana and Seychelles.

Guinness believes its stout is complementary to blond beers. This has enabled it to set up joint sales and brewing arrangements which do not threaten the blond beers of its trading partners.

Stout from a tap or pump is not the only export product of Guinness Brewing Worldwide: in 1989 the company launched Draught Guinness in a can, to enable consumers to enjoy the taste and qualities of draught Guinness at home, and followed it in 1992 with Guiness draught bitter in cans. As part of the company's export promotion it supports more than 800 "Irish" pubs worldwide.

> Guinness claims it is the world's most widely distributed beer

Guinness says it is the world's seventh largest brewer in terms of pre-tax profits – £370m in 1995 – and the ninth largest by output volume.

On a far smaller scale this year's winners include English Hop Products, a business with £4m in annual turnover, which exported half its production. It sells hops – the ingredient which gives beers their bitterness or flavour.

The company, which is based in Tonbridge in the hop-growing area of Kent, is jointly owned by English Hops, the largest co-operative of hop growers, and Hopunion, an international hop growing, processing and trading group.

It is a one-stop shop that can supply raw hops, and also provide hop pellets and extract, thanks to its technical know-how and its R&D efforts. A big share of its exports go to Europe, the US, Australia and India, and it has recently opened a sales office in Moscow.

British Diamalt is in a similar position. The company, which is part of US-owned International Diamalt, produces liquid and dried malt extracts for the food and drink industries, including brewing. Based at Newark on Trent, Nottinghamshire, its main export markets are North America, West Africa, the Middle East and the Far East.

Its exports have doubled in the period of the award application, with important growth in Russia, other CIS states, South America and Australia.

William Grant & Sons is notable for being a family-owned business (one of the largest of its kind in the UK) that has preserved its independence since it was founded in 1887.

Although many people associate William Grant with its Glenfiddich single malt whisky, the export performance which led to the award was related to its blended whisky brand, Grant's. Grant's is the fifth biggest selling whisky brand in the world, and the fastest growing large Scotch whisky brand.

Its export sales are heavily focused on Europe, which accounts for 59 per cent of its business, where France is an important market. The US and South America are the next largest export markets.

Export sales account for more than 70 per cent of William Grant & Sons' total sales (its annual turnover is a little under £250m). Exports grew by £30m in the three years to 1995.

A fellow award-winning Scotch whisky company is Morrison Bowmore Distillers, a Glasgow-based distiller. Its portfolio includes the Bowmore Islay single malt, made on the island of Islay, and the Auchentoshan Lowland malt, distilled at Dalmuir near Glasgow. Morrison Bowmore belongs to Japanese drinks company Suntory. Its exports have doubled in the period of award application and make up two-thirds of production.

PROFILE **Chadwyck-Healey: information specialists**

Cambridge firm spreads the words

It's not quite selling coals to Newcastle, but selling Goethe to Germany is one of the reasons why Cambridge-based information specialists Chadwyck-Healey has won its second award for export achievement.

The company produces academic and research data on CD-Rom, microfiche, microfilm and in book form. Its main export markets are Europe, the US, the Far East and Australia.

Chadwyck-Healey was set up in 1973 by its chairman, Sir Charles Chadwyck-Healey, and has sister companies in Paris, Madrid and Alexandria, Virginia. It went electronic at the end of the 1980s and that medium now represents about 60 per cent of its business. Next month the company plans to launch its services on the Internet.

It has built a reputation within the industry by tackling huge, high-profile collating and publishing projects. In 1991, the company released the *English Poetry Full-Text Database*, a collection of four CD Roms covering every published English poet from Saxon times to 1900.

The company says its "substantial" sales in 19 countries have "made an important contribution to the company's export success".

Other large literary full-text databases which have sold well overseas include *English Verse Drama*, which contains over 1,800 works by more than 500 authors; 21 versions of *The Bible in English*; and *Editions and Adaptations of Shakespeare*.

Last year the company published its first database specifically for the German market – filling a gap in the market there – when it produced *Goethes Werke auf CD-Rom*, an electronic version of Goethe's works, including the footnotes, in the definitive Weimar edition.

Chadwyck-Healey's international partners include the United Nations, the EC's Office for Official Publications, the National Security Archive in Washington DC and the Russian State Archival Service.

After the removal of the ban on the Russian Communist Party in 1991 Chadwyck-Healey clinched a deal for exclusive rights to market archives of the Communist party of the former Soviet Union in the west, and in partnership with the Hoover Institution, began to transfer the huge archive of the former Soviet Communist party and state to microfilm.

When the company won its first export award in 1987 it employed 24 people and had export sales of £970,000. By June 1995, export sales had grown to over £7.5m and staff numbers had risen to 102. The company now employs 150. Since 1993, its export sales have risen by 135 per cent.

Stephen McGookin

Specialist vehicles: by John Griffiths

The engines of growth

Winners range from construction equipment makers to racing car manufacturers

JCB Group has come a long way since its founder, Joe Bamford, first started the Staffordshire-based construction and agriculture machinery business soon after the second world war. Now its equipment is found all over the world – reflected in the 11 Queen's Awards for exports it has won since the scheme was founded in the 1960s.

This year sees the group's third "double" – two export awards received by JCB subsidiaries in a single year. One goes to JCB Materials Handling, which produces telescopic handlers at Rocester in Staffordshire.

Founded in 1978, the company has a turnover of nearly £95m and its "Loadall" machine is claimed to be the world leader. Exports have risen from £20.4m in 1993 to £51.8m last year.

Recently the company invested £4.5m in the Rocester facilities to install new plant and equipment to enhance build quality – a move substantially increasing confidence among the company's 180-strong work force.

"When the company was founded JCB had to pioneer and develop this revolutionary materials handling machine; now we're number one in the world," says David Bell, managing director. This year's award is the second for the company, the first having been won in 1984.

The other award-winning subsidiary is JCB Special Products, which makes compact equipment including back hoe loaders, rough terrain fork lift trucks and wheeled loaders at a purpose-built £10m factory in nearby Cheadle, Stoke-on-Trent, completed only last year. Founded in 1985, the company has seen its export earnings rise from £17.5m to £49.7m over the past three years, compared with a total turnover last year of £69m.

The company employs more than 200, with principal exports in Europe and North America and "significant growth" projected for the Asia-Pacific region by its managing director, Jim Edwards.

Awards have gone to other engineering-based companies in closely-related sectors.

Terex Equipment, based at Motherwell, Lanarkshire, is a US-owned producer of off-road dump trucks and scrapers for use in construction, quarrying and similar activities which exports to some 60 countries.

It, too, is focusing heavily on the growth markets of Asia and the Pacific rim and is currently discussing a collaboration agreement with a so-far unnamed Japanese partner to pursue opportunities in the Japanese market, the world's fifth largest for such equipment.

Further south, at Stretford, near Manchester, Fermec Holdings is celebrating its second export award within six years for the backhoes, mini excavators and industrial tractor loaders which find their way to 70 markets. The company was formed in 1992 from a management buyout of the MF Industrial business, then part of the Massey Ferguson group, part of Varity Corporation of the US. Its exports have almost doubled over the past three years, partly as the result of the introduction of mini excavators to the product line last year.

New Holland UK, the tractor manufacturer, also the recipient of an exports award, began life nearly 70 years ago as the tractor division of Ford Motor Company. A landmark in its history came in 1991, however, when Ford sold it to Fiat to create the New Holland group. For the Basildon, Essex-based company this is the second export award in a row, although the first under its latest name.

> Reynard was one of the first specialist motor racing concerns to receive an exports award

Three quarters of its output is sold overseas, through a network of dealerships and importers in some 120 markets worldwide.

Last year it was 27th in the *Financial Times'* top 100 list of exporters. Its exports are concentrated on tractors in the medium to high horsepower range, with the balance made up of diesel engines, agricultural equipment and components.

Fast-moving exports have an extra meaning for another recipient, which represents a small but by far the most successful sector of the UK motor industry. Reynard Racing Cars, located in the heart of the UK's world-beating motor racing industry at Bicester in Oxfordshire, produces several hundred purpose-built single-seater racing cars a year, most of which are exported.

In recent years Reynard has dominated categories such as IndyCar racing – North America's equivalent of grand prix – as well as European and Japanese Formula 3000 racing.

Founded by chairman Adrian Reynard and his long-time friend and colleague, managing director Rick Gorne, Reynard was one of the first specialist motor racing concerns to receive an exports award, in 1990.

Nevertheless, the government has been relatively slow to recognise the achievements of the UK motor sport industry, not least in IndyCar racing where Reynard, March, Lola – also a previous export awards winner – and UK-based Penske between them have accounted for virtually every car on the grid for more than a decade and for every Indianapolis 500 winner since 1978.

Ministers are now trying hard to make amends. Earlier this year, during a visit to the McLaren grand prix organisation, industry minister Tim Eggar said the Department of Trade and Industry would mount an "urgent" initiative to spread "the strengths of quality and innovation" shown by the UK's racing car industry into the country's mainstream volume car and components industries.

It is looking at ways in which the rapid-response technology and design and development skills of companies such as Reynard can be transferred to other sectors of the industry, having realised that motor racing in the UK employs some 50,000 people and collectively generates a turnover in excess of £1bn a year.

Textiles: by Jenny Luesby

Designs on global markets

Being British is not enough. New ideas are also needed to catch the eye of foreign buyers

Creativity must be an element in the success of almost every company, but in textiles it is close to being the whole story, according to this year's export award winners.

In overseas markets, the "British look" still possesses an enormous cachet. But, increasingly, this look needs to be combined with innovative designs in order to produce sharp export growth, the winners say.

This is the case even for the oldest and most prestigious of British fashion names such as Burberrys.

Burberrys, winning its sixth Queen's award this year, has now clocked up more than any other British clothing company.

It describes itself as the "quintessential British brand", and few would disagree. But despite the Burberry appearing in the Oxford English Dictionary as a raincoat, rainwear accounts for just 10 per cent of the company's sales.

It has been by expanding into other clothing, leather goods, scarves, perfumes, watches, glasses, jewellery and even food and whisky that Burberrys has lifted its export sales by £30m in the three years considered for this year's awards.

Similarly, it is through diversification that Mulberry has achieved success in overseas markets and won its third award.

Known as a producer of high-quality leather goods, Mulberry appears to have bucked every trend visible with its relatively young home furnishings division.

The division was launched at the height of the recession *and* during a hiatus in the fashion industry, says its chairman and designer, Roger Saul.

"It was the time of Grunge, and deep uncertainty about where the fashion market was going," he says.

However, throughout the 1980s, people had been asking where they could buy the chairs and wallpaper used in Mulberry shops. The depth of the recession made it easier for the company to diversify into both.

"Mills, weavers and printers were all crying out for work: and willing to be much more flexible than normal," says Mr Saul.

As a result, Mulberry launched its first home furnishings collection in just nine months, "from scratch", according to Mr Saul.

It manufactures none of the range, but designs and markets all of it. Exports represent more than half of the company's total sales.

Several of this year's award winners have also focused their activities on designing and marketing goods rather than manufacturing.

The Designers Guild, which has lifted its exports of home furnishings from £5m a year to £25m a year over the past decade, also manufactures nothing. Its strength, it says, lies in the design skills of the company's founder, Tricia Guild.

The author of six design books, Ms Guild leads a team of designers in creating everything from furnishing fabrics to china.

Garigue, another of the winners in this sector, is also a designing company. One of the smallest export award winners, with a turnover of £2.5m, it has just three employees: the founder, Edmund Garigue, his wife and his son.

Mr Garigue is 79 years old and still full of energy. He first began working in the textiles industry in 1930, aged 14, but it was not until after the second world war that he began to design fabrics for the Paris couture.

He describes his long and slow climb to fame with a burning passion: his specialty may be wool, he says, but his hobby is physics.

> 'You want to talk about colours? Have you got several hours?'

"I try to accent people's movements with my fabrics, by twisting the yarn so that it bounces light. With a triple twist, it even creates a small aura of colour around the wearer."

"For 37 years, I ran an overdraft, but not for the last 10. Now everyone wants us," he says.

When it comes to colour, John Walsh of Abraham Moon can also become wrapped up in his subject. "You want to talk about colours? Have you got several hours?" he says.

Colour, Mr Walsh says, and export sales, lie at the heart of Moon's success as a manufacturer of woven wool fabrics intended for clothing.

"We have always been geared towards exports: in the 1890s we had contacts in Japan," says Mr Walsh. However, between 1993 and 1995, Moon lifted its exports by 80 per cent.

"There were seven mills in Leeds. Now there is only one: ours – the last two to close down have been refurbished as a McDonald's Drive-In and a multi-gym."

Moon has a design team of four. They all have degrees in textile design: three of them from Leeds University.

"The whole range has our handwriting, but our success lies in adapting our colours to the nuances of each market," says Mr Walsh.

"In Japan, our customers have different skin tones and they certainly do not want the large checks that we sell in the US.

"In Europe, Italy is one of our top markets. They love the British look. But their idea of British is more classical and exact than ever the British look was.

"In France the British look can be positively oddball: acrid yellow, or wacky green. In Germany, there are just strong colours that come and go with each season, dictated by fashion."

"We could survive anywhere. We are in the UK for historical reasons. But since we are here, survival rests on constantly keeping in touch with our customers. We cannot sell to Japan without getting on a plane to Osaka, and talking to people."

"We have to modify everything and we have to keep coming up with new ideas. If we stood still, we would die," Mr Walsh says.

PROFILE Bridge of Weir Leather

Winners in a material world

British beef may be off everyone's menu, but British cowhides have never been in greater demand, according to export award winner Bridge of Weir Leather.

"British cows are tagged in the ears, rather than branded. They are overwintered indoors. The cold climate means less insect damage. And the animal husbandry, generally, is among the best in the world," says Jonathon Muirhead, managing director of the company.

As a result, tanneries in the UK are working with outstanding raw materials: and it makes sense to process them on the spot.

Transporting raw cowhides to Asia costs more than freighting processed leather. And while much of the leather industry has decamped to Asia driven by labour costs, tanning is capital intensive, rather than labour intensive.

"The main difficulty for tanneries in the UK is that their European customer base has contracted so much," says Mr Muirhead.

However, Bridge of Weir Leather's European market is thriving. The company does not supply leather for handbags, belts and shoes.

Instead, its leather covers the seats in the new British Library and the arm-rests in British Airway's upgraded first-class cabins. It is to be found in law courts, hotels and even the Houses of Parliament.

However, most of all it is in cars – with three-quarters of the company's sales made to the car industry. "There was a time when leather for car interiors was the preserve of Rolls Royce, Jaguar and Mercedes," says Mr Muirhead. "These days, every car maker offers a leather option, even Skoda."

For Volvo, Saab, Honda and Renault that leather comes from Bridge of Weir Leather. The Renault contract is the company's most recent. Won last July and worth £3m a year, it took four years to prise from a French competitor.

The decisive factor was Bridge of Weir Leather's quick response time, and the quality of its leather, says Mr Muirhead.

However, while the resurgence in leather car interiors has driven the company's export growth in recent years, profits have been more elusive.

In recent years, tanneries have had to invest heavily in cleaning up their effluent and Bridge of Weir Leather is no exception. It has also spent money increasing the amount of waste that it recycles.

Such spending has put European tanneries at a disadvantage in the world market, says Mr Muirhead, with producers in Asia facing much more lenient regulations on effluent.

However, with the investment now made, Bridge of Weir's margins are climbing again. In the year to March 1995, the company reported pre-tax profits of just over £1m on its £26.8m turnover. Last year, sales rose to around £33m, with margins much improved.

Meanwhile, with exports accounting for 90 per cent of sales, demand is surging in its newest market, south-east Asia. "We are getting some of our Asian orders through

Seats of learning: Bridge of Weir's leather covers the chairs in the new British Library Reuter

European customers, such as Volvo, who have themselves started producing in Asia," says Mr Muirhead.

"But we are also discovering that the quality of our leather is attracting the region's rapidly growing up-market audience."

Typical is Singapore, where a large proportion of the company's sales are to domestic furniture manufacturers. "It is not easy to compete with the low-cost producers of Asia," says Mr Muirhead. "But we have quality and environmental friendliness on our side and we are using those assets to stay a step ahead."

Jenny Luesby

هكذا من الاصل

THE QUEEN'S AWARDS FOR INDUSTRY 1996

■ Awards for technological achievement by Andrew Baxter

Healthy, ingenious – and British

As many as half of the winners this year are healthcare-related companies

The ingenuity of the UK's healthcare industry – in both research and development and commercial exploitation of new products and processes – is reflected in the 1996 awards for technological achievement.

Eight of the 16 awards this year are healthcare-related. The others range from a system to reduce aircraft cabin noise to a new method of panel printing for clothing.

Overall, the number of winners this year was down one from last year's 17, while the number of applications for awards rose by one to 254.

The winners in the healthcare sector range from diagnostics to drugs, radiotherapy and medical products, and from household name companies to corporate minnows. They include one of the two pairs of joint winners this year, Affinity Chromatography and Cambridge University's Institute of Biotechnology.

In diagnostics, the Witney-based Oxford Magnet Technology gets an award for developing a C-shaped magnet design for magnetic resonance imaging. Using a combination of resistive magnet and "iron yoke" technology, the design allows access to the patient during the examination, which is not normally possible with non-superconducting systems. The new approach provides an efficient low-cost alternative to a superconducting magnet, around which most MRI systems are built.

Philips Medical Systems, based at Crawley in West Sussex, gains its award for developing a multileaf "collimator" for medical radiotherapy treatment. This comprises a set of 80 parallel leaves that are fitted as an integral part of a linear accelerator, replacing the beam blocks previously used to shield healthy tissue from the rectangular beam. The leaves can be moved individually using computer-controlled motors.

The drugs that have won awards are Metastron and Imigran, developed respectively by Amersham Healthcare, a unit of Buckinghamshire-based Amersham International, and Glaxo Research and Development. Metastron is a solution of Strontium-89 chloride used to ward off the pain from the secondary bone cancers (metastases) that can afflict sufferers of prostate and other cancers. A single injection of the solution provides pain relief for up to four to six months in the majority of patients treated.

Glaxo's Imigran, meanwhile, is for the treatment of migraine and cluster headache. According to Glaxo, clinical trials have shown that the drug produces a more rapid and higher level of response than was achieved by previous treatments for migraine, and that any side-effects are mild and transient. Imigran can be taken orally or by injection and an auto injector has been developed to enable a patient to take prompt action during an attack.

In medical products, a third technology award in 20 years has gone to the products division of Basingstoke-based Chas. A. Blatchford and Sons, a world leader in the supply of lower artificial limbs. The award is for its Endolite Intelligent Prosthesis Plus system (IP+), which uses a microprocessor controller in the artificial limb to allow the trans-femoral (above knee) amputee to experience natural walking over a wide range of speeds.

"For the first time, it allows a rapid programming of the prosthesis," says Saeed Zahedi, Blatchford's senior research engineer. After programming, the IP+ automatically provides five valve settings to cover the individual's range of walking speeds.

Smith & Nephew's group research centre, meanwhile, gains its award for developing an adhesive thin film to cover small wounds, particularly those associated with intravascular catheters. A special polyurethane film controls moisture levels at the site of the wound, and eliminates the risk of contamination as bacteria cannot pass through it.

Wound care is also a market for Swindon-based SciMAT, which specialises in the modification of polymeric materials and the subsequent creation of products with new capabilities. Its award, however, is for the development of improved membranes for the rechargeable battery industry. Basically, the SciMAT technology modifies the surface of polypropylene, increasingly being used as a separator in batteries, to make it permanently wettable. This allows it to absorb electrolyte without altering the basic properties that made the polypropylene suitable as a membrane in the first place.

Elsewhere, the second joint award this year goes to Marks & Spencer and Wakefield-based Wace Screen for developing the Distron process, a "dry" discharge method of garment panel printing. The process uses an ink that contains a chemical that bleaches out the ground colour to give a design, with very low reject rates compared with conventional discharge processes.

The other five award winners were: Bede Scientific Instruments, of Bowburn, Co Durham, for an X-ray characterisation system used for the development and quality control of advanced semiconductor devices; Hampshire-based Digi-Media Vision (an export award winner too) for developing a system of compressing TV signals so that multiple programmes may be conveyed along a single channel, satellite or cable; Rover Group's electronics and control systems business for developing a modular range of electronic control units for the integrated control of engine fuelling, ignition and idle speed; the noise and vibration systems division of Greenford-based Ultra Electronics for its "anti-noise" system to reduce cabin noise in turboprop aircraft; and Poole-based Westwind Air Bearings for its aerodynamic spindles used in the rotary scanning industry. Applications range from mirror spinning to drum scanning, and from laser plotting to colour image setting.

Satisfied customer: Amersham's Metastron has helped Scottish farmer Dick Webster get back to work John Cole

The Queen's Awards for Technological Achievement

Company	Location	Product or development
Affinity Chromatography	Ballasalla, Isle of Man	Protein separation
Amersham Healthcare (Amersham International)	Little Chalfont, Bucks	Drug for the treatment of bone metastases
Bede Scientific Instruments	Bowburn, Co. Durham	Direct-drive x-ray diffractometer
Chas. A Blatchford & Sons, Products Division	Basingstoke, Hampshire	Computer control for lower limb prosthetics
Digi-Media Vision	Eastleigh, Hampshire	System for compressing television signals
Glaxo R&D	Greenford, Middlesex	Drug treating migraine and cluster headache
Marks and Spencer	London W1	Garment panel printing
Oxford Magnetic Technology	Eynsham, Oxon	Magnet design for Magnetic Resource Imaging
Philips Medical Systems – Radiotherapy	Crawley, West Sussex	Multileaf collimator for radiotherapy treatment
Rover Group, Electronics and Control Systems	Coventry, Warwickshire	Modular range of electronic control units
Scimat	Dorcan, Wiltshire	Improved membranes for rechargeable batteries
Group Research Centre, Smith & Nephew	York, North Yorkshire	Adhesive thin film to cover small wounds
Ultra Electronics Noise and Vibration Systems	Greenford, Middlesex	Noise reducing system for turboprop aircraft
Institute of Biology, University of Cambridge	Cambridge, Cambs	Materials for separating protein pharmaceuticals
Wace Screen – Wakefield	Wakefield, West Yorks	Garment panel printing
Westwind Bearings	Holton Heath, Dorset	Aerodynamic spindle for optical screening

PROFILE Cambridge University's Institute of Biotechnology and Affinity Chromatography: protein separation technology

Leading from behind the scenes

Biotechnology is often thought of as a glamorous sector, but behind the scenes a great deal of painstaking work has been going on for decades in some of the enabling technologies helping to bring new treatments to the market at a realistic price.

One neglected area is separation technology. At least half the manufacturing cost of the protein pharmaceuticals emerging from recombinant processes is incurred at the separation and purification stage, compared to less than 5 per cent for conventional drugs.

Cambridge University's Institute of Biotechnology and Isle of Man-based Affinity Chromatography have jointly won technology awards for developing an innovative means of separating protein pharmaceuticals that replaces several stages of previous separation methods, cutting costs sharply.

Interest is growing rapidly in pharmaceutical proteins and market projections suggest their share of the total pharmaceutical market could rise sharply over the next decade. More than 50 have been approved or are awaiting approval, and at least 500 are in various stages of clinical trial. Worldwide sales figures of £30bn or more are projected for early in the 21st century.

The problem is that recombinant technology produces a dilute and heavily contaminated stream from which the required protein has to be extracted. "Your crude extract may contain 500 or 600 proteins," says Dr Chris Lowe, director of the institute. To reach the required level of purity, and leave behind material that could harm the patient, a number of fractionations are necessary to search for the required protein by size or shape, by its charge (positive or negative) or by other differentiators. But, says Dr Lowe, "with each step, you lose yield."

What is needed, he says, is a process that can quickly "target and fish out" the right protein, providing optimum yield and purity at the lowest cost. This is where affinity chromatography technology comes in: it emulates a feature of nature in which each individual protein is recognised by at least one other protein in an extremely precise measure.

An affinity separation system can thus be created if one element of a protein-protein pair can be discovered, as it can be used to separate the other. But finding the matching protein and producing it in industrial quantities is hard, severely limiting any commercial exploitation of the process.

Dr Lowe's early work in this field had been followed with interest by Dr Ken Jones, a chromatographic entrepreneur, and in 1984 the two men met. By 1986, it was agreed that a basis for a technology transfer had been developed, and Affinity Chromatography was formed, with Dr Jones as chief executive and Dr Lowe as a director. Since then, the company and the institute have worked together to develop affinity chromatography into a commercial product.

Even with a detailed business plan and an experienced entrepreneur at the helm, the company had to rely on directors' financial resources – venture capitalists could not wait the expected 10 years or more before they would get any money back via acquisition or public flotation.

The company's earliest products were molecules related to textile dyes, which were once thought – wrongly as it emerged – to be the breakthrough that would revolutionise the protein separations market.

But, helped by making early use of 3-D computer-assisted molecular modelling, the institute and the company have now developed new structures to emulate the protein-protein interactions occurring in nature. They claim to lead the world in designing "ligands", the molecules which interact selectively with the target proteins, while the company has a unique manufacturing plant in the Isle of Man producing the material.

Working together, the institute and the company design a complete separation system for each client's targeted protein, scale it up, and help clients with regulatory approval. After all that, there is continuing work for the Isle of Man company producing the material.

Already, products have been sold in 29 countries, and exports have averaged 70 per cent of the total since sales began in 1990.

The company does not disclose sales, but the world market for affinity media is about £100m a year and likely to grow fast.

With its technology lead, based on the ability to provide high-purity one-stage separations for all proteins, Affinity Chromatography hopes to capture an increasing share as the market expands.

Andrew Baxter

Awards for environmental achievement: by Leyla Boulton

UK among top six in world

Britain scores high on technological achievement – yet is near the bottom of the sales league

The Queen has this week rewarded environmental achievements ranging from treatment of smelly sewage to an environmentally-friendly washing machine. The other four winners in the environmental category are: energy-efficient electric motors, a low noise gear pump for fork-lift trucks, a fuel injection system for diesel engines and burners to reduce oxides of nitrogen emitted by power plants.

Environmentally-friendly technology is far from glamorous. But it is often touted as one of the great growth industries of the future, as environmental regulations tighten up and conservation of natural resources is seen as more important.

The awards for environmental achievement can be viewed against a backdrop of three separate developments. The first is a growing perception of the environment as a meaningful business opportunity on a worldwide scale, driven by environmental regulation.

Only last week, the Environmental Industries Commission, a lobby group, reiterated its demand that the government should do more to help British companies win business. It used Britain's main show for environmental management and equipment in Birmingham as the platform for its calls for tighter environmental regulation and more export assistance to compete with US, German and Japanese competitors.

Although none of the award winners had a stand at the Birmingham show, the importance of regulation was recognised by George Frankl, chief engineer at Lucas Diesel Systems, when he said that market penetration of its Electronic Unit Injector (EUI) system, could "only increase as emissions legislation tightens".

The company's new approach to fuel injection equipment design had been spurred in the early 1980s by the need to meet emission limits anticipated at the time.

The EUI, which can adjust the timing and quantity of fuel for each successive firing stroke, achieves a reduction in all diesel exhaust emissions, particularly nOx and particulates. The latter are likely to be the subject of new regulations in the future. In the past, however, the environmental benefits of such technological advances have been eaten up by increased traffic volumes and fuel consumption.

Even the EIC lobby group recognises that Britain, although close to the bottom of the total sales league table, is among the top six innovators in the world market for environmental technology.

Half the companies rewarded by the Queen for environmental performance this week have already won her award for export achievement.

Among them is International Combustion, the Rolls-Royce subsidiary which is being rewarded for its range of EnviroNOX burners designed to cut emissions of NOx and other pollutants from power stations. The company's most important market is the US, in part because of its stringent emission controls under the Clean Air Act.

Ultra Hydraulics, which last year won an export award, this year collects an environmental prize for low-noise "Stealth" pumps. These pump oil around the hydraulic circuits of machines such as fork lift trucks and earthmoving equipment and 70 per cent of sales are exported.

Another claim by EIC was that British companies got less support for research in environmental products than some of their foreign rivals. But Brook Hansen, the subsidiary of the BTR engineering group, said it had benefited from heavy investment from its parent company in developing a new range of electric motors, dubbed "W". These had a significantly higher energy efficiency than existing induction motors and would ensure a "market transformation in industrial drives".

The new range was the product of a four-year £12m research project involving not just Brook Hansen, but also Cambridge and Sheffield universities, and backing from the government's Energy Efficiency Office.

The second development was a report earlier this year by the National Consumer Council which found that many of the environmentally-friendly claims made by so-called green products are at best irrelevant and at worst misleading.

But although none of the six companies which won awards are mentioned in the NCC report, they are inevitably connected to the issues it raised.

The only product in this year's awards that fits directly into the consumer category addressed by the NCC report is Hoover's range of Soft and New Wave washing machines. The manufacturer claims that its machines not only save on energy bills, water consumption, and detergent loss, but also have a relatively "green" product life-cycle – as indicated by the award for environmental performance.

As the company admits, however, previous inflated claims for green products make it likely that customers will be reluctant to accept as a reason for purchasing that the product delivers a cleaner, faster wash than leading competitive products.

Green products, unless mandated by law, must therefore either compete on price and quality or prove to their customers – other businesses in the case of most of the Queen's awards – that they can make money for them further down the line.

Another development which could affect the environmental awards themselves was a call last week by Britain's Institution of Civil Engineers. It said that the Queen's Award for Environmental Achievement should be expanded to include a special section for the provision of sustainable infrastructure.

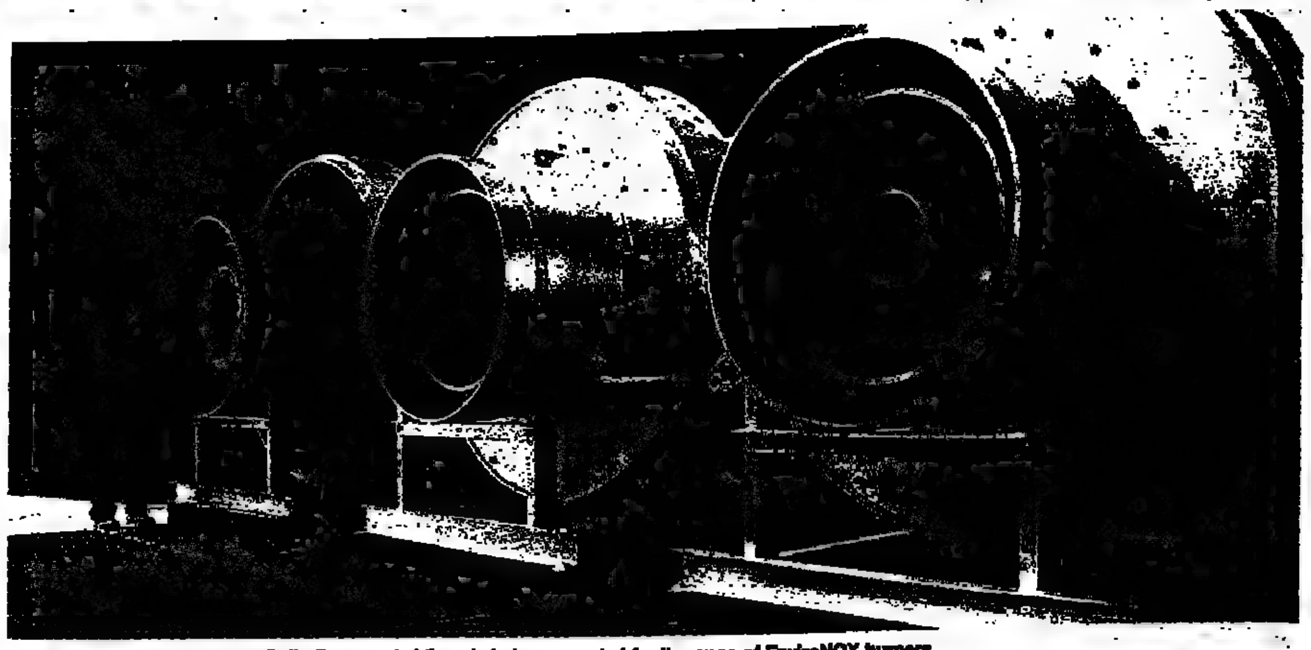
Sustainable development, balancing economic growth with long-term global environmental considerations, is the ultimate challenge facing all technology that aspires to be friendlier to the environment.

A small group of big companies, including Norsk Hydro, the parent of Hydro Chemicals, whose Hydrocare effluent treatment division won an environmental award for its system to make sewage smell less offensive, have aggressively sought to anticipate opportunities in the environmental field.

With water an increasingly sensitive issue since last summer's shortages in parts of Britain, the performance of water companies and the technology they use is coming under closer scrutiny. Hydrocare's Nutriox system, developed over the past five years, has already been embraced by Anglian Water and Yorkshire Water.

According to Hydrocare, the system has brought "welcome relief to thousands of people who, because of sewage smells, have previously had to endure hot summer days sweltering indoors".

This was unable to save Yorkshire Water from public opprobrium last summer over its water supplies, but such technologies are likely to become increasingly important in future as water use moves up the environmental and industrial agenda.



International Combustion, the Rolls-Royce subsidiary, is being rewarded for its range of EnviroNOX burners

The Queen's Awards for Environmental Achievement

Company	Location	Product or development
Brook Hansen	*Huddersfield, West Yorkshire*	Electric motors
Hoover	*Merthyr Tydfil, Mid Glamorgan*	Washing machines
Hydro Chemicals (Hydrocare)	*Immingham, South Humberside*	Liquid effluent treatment
Internal Combustion	*Derby, Derbyshire*	Burners for power stations
Lucas Diesel Systems	*London W3*	Electronic unit injector systems
Ultra Hydraulics (Mobile Products Division)	*Cheltenham, Gloucestershire*	External gear pumps

PROFILE Emafyl: plastic picture frame moulding manufacturers

Breaking the moulding

As general manager of Emafyl, a plastic picture frame moulding manufacturer which has just won a Queen's Award for Export Achievement, Arnie Kessel says he works "non-stop".

From four workers and 11,000 sq ft of factory space nine years ago, the company now employs nearly 500 people in a 300,000 sq ft factory. Pre-tax profits were £6m last year on sales of £22.5m, up from £3.3m on sales of £14m the year before.

Of last year's sales 75 per cent were exported. The US is the east London-based company's largest market – representing almost 85 per cent of the company's exports – but the polystyrene framing material is also sold in the rest of Europe, Australia, Japan, Korea, Taiwan, India, Russia, and South Africa.

The company was the brainchild of Howard Simon, director of Simon and Sons, which makes and distributes wood mouldings and to which Emafyl, owned by the same family board members, is affiliated.

After many years of experience at the 96-year-old family-owned company, Mr Simon saw an opportunity for a flexible moulding material which could be made to look like wood, but at less than half the price.

A vast range of finishes can be used to emboss emafyl, paint, fill and line it, and make it look like marble, granite or an antique.

Emafyl now has 50 of the specially adapted extrusion machines which make 4m ft of the moulding material a week. A total of 7,000 designs are made, which are then sold on to picture frame manufacturers.

In the US, this is then sold on to retailers such as K-Mart and American Greetings Cards. Among the most popular designs are the "pasta mouldings" which contains a range of ornate embellishments similar to traditional Italian designs.

The innovatory nature of the product and the special machines used are behind the company's profitability, says Mr Kessel.

"The technical side is the story of our success," he says.

The company also aims to be environmentally friendly. In addition to recycling waste from the process, Mr Kessel says: "For every 4m ft we manufacture, 700 ft of wood is saved."

The price of the product, as well as being its advantage, has led to complications: Emafyl was the subject of an anti-dumping suit in the US last year. Marley of Marion, Virginia, a US-based company owned by Marley of the UK, accused Emafyl of selling its products at unfair prices, lower than UK ones. A preliminary ruling by the US International Trade Commission last year found Marley had shown "a reasonable indication that an industry in the US is threatened with material injury by reason of imports from the UK".

Mr Kessel, who described Marley as Goliath to Emafyl's David, says that, after giving evidence, the company is waiting for a verdict, not expected until later this year. "We think we have proven the case," he says.

In spite of this, the company's programme of re-investment will continue, Mr Kessel says. The factory is currently operating 24 hours a day, six days a week.

With a full order book the company expects turnover to increase almost 25 per cent this year, a rise which will cover more than 50 per cent of the world market, it says, with India and Japan the fastest growing markets this year.

Jane Martinson

هكذا من الأصل

THIS WEEK

Dr K's riddle still awaits an answer

DATELINE

Brussels: Henry Kissinger discovered that Mr Europe does not exist, but perhaps his creation is now overdue, writes **Lionel Barber**

Henry Kissinger once asked: "Whom do I call to get Europe on the line?" Twenty years later, Dr K is still waiting for an answer.

Mr Europe does not exist. Jacques Delors came close, but he left Brussels 15 months ago. Jacques Santer, his successor as president of the European Commission, keeps his head down. Chancellor Helmut Kohl can call Bill in Washington or Boris in Moscow, but he knows there are limits to German leadership in Europe.

However, President Jacques Chirac of France thinks he has a solution to the EU's missing voice. He is pushing for a new high-profile appointee to speak for the 15 member states, claiming that a Mr or Madame X would give a shot in the arm to the EU's embryonic common foreign and security policy.

Chirac has tabled the idea at the EU's inter-governmental conference now underway to review the Maastricht treaty, although many people, Santer included, suspect Chirac is playing a double game.

Chirac's job proposal looks at first like a device to reward Valéry Giscard d'Estaing, his coalition ally in France's 1995 presidential elections. Giscard covets a big job, having stepped down as leader of the liberal UDF party this year.

Sending a power-hungry former French president to Brussels would be like letting an elephant loose in a circus. Smaller countries, which see the Commission as their guardian, are manning the barricades.

However, Chirac's proposal can be dressed up as principle: the EU needs a figure to represent its collective interests independent of the European Commission. That person should be the servant of the Council of Ministers, the decision-taking body composed of cabinet ministers from the member states.

Chirac is whistling the old Gaullist tune that the Council is the seat of legitimacy and not the supranational Commission, whose responsibilities in external affairs expanded under Delors's leadership between 1985 and 1995, particularly in the management of aid to central and eastern Europe and the former Soviet Union.

Chirac and Alain Juppé, his prime minister, also watched the Commission – under the guidance of the UK's Sir Leon Brittan – negotiate a Gatt world trade agreement which necessarily ignored some of Paris's more extreme demands. Their conclusion: it is time to put the Commission back on a leash.

The British, desperately seeking allies in the IGC negotiations, are playing along. In London the foreign office has no intention of allowing the French a free hand on trade policy; but the idea of appointing a Mr X as a foreign policy frontman fits broader British plans to strengthen the Council at the expense of the Commission.

The UK acted two years ago with the dispatch of Brian Crowe, a senior career diplomat, to co-ordinate foreign policy inside the Council's secretariat. He reports to Jürgen Trumpf, the mild-mannered ex-German ambassador in Brussels who is secretary-general.

The Trumpf-Crowe axis ought to be a strong combination, but it is struggling. It lacks high-grade manpower, and it faces resistance from the Commission in the shape of Günter Burghardt, an ex-Delors foreign policy aide.

Burghardt is a Commission activist par excellence. Unlike Britain's chancellor of the exchequer, Kenneth Clarke, Burghardt has read the Maastricht treaty – several times. He knows how to use law and precedent to grind down opposition. And he has seen off most challengers to his empire and to his boss, Commissioner Hans van den Broek, the former Dutch foreign minister.

The cost of the turf battle has been steep: the failure of the Commission to exercise fully its right of initiative in external political relations, and the proliferation of foreign policy power centres, with the Council secretariat starting to build a parallel network, first in New York, now in Geneva.

In an ideal world, the solution to the EU's identity crisis in foreign policy would be to adopt a bureaucratic model on Washington lines. The Commission, with its ready-made expertise, could evolve into an executive body like the US state department. The Council secretariat could function like the National Security Council staff at the White House. Yet nobody in Europe is ready to import a federalist model from the US. Hence the latest twist in the story: a proposal to create a new planning and analysis unit in Brussels which could act as a motor in foreign policy, anticipating crises such as the conflict in former Yugoslavia and preparing common positions to nurture a European foreign policy "culture".

High ideals come down to the prosaic question of where to locate the new unit. Burghardt says it belongs to van den Broek. Trumpf, who is running hard himself to be Mr X, wants first right of refusal.

The outcome of this power struggle between the Council and Commission will provide a useful guide to the ideological battles at the IGC. But it will not settle the other question on Dr Kissinger's mind: remembering France's solo diplomacy in the Middle East this week, will there ever be a European foreign policy?

PEOPLE

Milanese scion to pilot Pirelli

Provera is the first non-family chairman, writes **Andrew Hill**

Marco Tronchetti Provera is possibly the most anti-establishment member of Italy's business establishment.

Scion of a noted Milanese industrial family, he has been chief executive of Pirelli, the tyre and cables group which is one of Italy's largest and oldest industrial companies, since 1992, when its attempted bid for German tyremaker Continental went wrong. Last Friday he was named to succeed the 70-year-old Leopoldo Pirelli as chairman.

Yet he is also one of the most outspoken critics of the machinations of Italian politicians and of the sprawling Italian public sector, which he views as the biggest hindrance to Italy's economic drive. Speaking before yesterday's elections, he said he was still afraid that Italy's sluggish progress towards a liberalised market could be reversed. "I see nobody prepared to define a different role for politics in this country," he said. "Politics here still has great economic weight, but its management [of the public sector] has failed."

Four or five years ago, critics might have levelled the same accusation at Pirelli itself. The group's ill-fated bid for Continental plunged it into the red. About half of its L678bn (£280m) loss for 1991 was blamed on the cost of the unsuccessful offer. The way in which Pirelli had mounted its bid – through alliances based on secret financial guarantees – was widely believed to be one of the reasons for its failure. The crisis left Tronchetti Provera, promoted from managing director to chief executive in place of Leopoldo Pirelli, to pick up the pieces.

The fact that Tronchetti Provera, 48, is to become the first non-Pirelli to chair the group is confirmation of his success. The company has been restructured to concentrate on the core businesses, now run as autonomous subsidiaries.

Pirelli still produces a full range of tyres, but the mix has been adjusted to favour high-performance, high-margin products. In cables, the group is doing pioneering work in the development of photonics – the high-speed transmission of information as pulses of laser light using optical fibre and other components – and superconducting power cables.

Tronchetti Provera believes Pirelli can do even better, but some financial benefits are already clear. Apart from the change of guard at the top, Friday's other novelty was the announcement of Pirelli's first dividend payment for four years. As it happens, a small but substantial chunk of the payout will go to reward Tronchetti Provera himself, as his family company already controls, indirectly, more of Pirelli than the Pirellis.

This makes him appear another archetypal Italian entrepreneur, arrogating power as chairman, chief executive and main shareholder. He may not have been born a Pirelli, but he married Leopoldo's daughter (they have since separated). He is even a keen yachtsman, which puts him metaphorically in the same boat as tycoons such as Gianni Agnelli of Fiat and Carlo De Benedetti of Olivetti.

Tronchetti Provera paints a different picture, of a man who reached the top job because he was the most suitable candidate. "At the time of the Conti crisis, I knew the group, and I had the experience to resolve the problem," he says simply. He knows how to delegate: the tyre and cable businesses are in the hands of two managing directors, while progress across the world is supervised through a new video-conferencing network.

As for the useful family connections, Tronchetti Provera prefers to highlight a personal affinity with Leopoldo Pirelli. "Family links can be an advantage, and in certain other areas a handicap. In this case, the personal links have been of benefit. We share certain values, such as loyalty – to which I give great weight – and a moral vision of the role of the entrepreneur."

Tronchetti Provera claims it is no coincidence that Pirelli, despite its important role in public contracts, was one of the few large Italian companies not implicated in Italy's Tangentopoli bribery scandals.

That may be why the new chairman feels free to attack the dominance of the Italian public sector, and defend the network of private-sector alliances around Mediobanca, the secretive Milan merchant bank, of which Pirelli is an important shareholder – the so-called *salotto buono*, or good drawing room of Italian big business. "Criticism of the *salotto buono* doesn't take account of the situation in Italy, where there was a great risk of total sovietisation. If this private nucleus hadn't existed, all the big companies would have finished up in the public sector," he says.

As Italy develops its own system of neutral institutional investors, he sees the defensive nucleus gradually reforming into simple shareholder alliances. He is unconvinced that the change from a public-sector to a private-sector mentality in Italy has enough momentum. But while he has "the trust of the shareholders and the desire to continue", he is likely to help it on its way from his prominent position at the head of the Pirelli boardroom table.

Attacking the dominance of Italy's public sector: Tronchetti Provera

NAMES IN THE NEWS

Amelio goes to the root of Apple's problems

Just 10 weeks after he stepped up to the task of rescuing Apple Computer, Gil Amelio, formerly chief executive of National Semiconductor and a member of Apple's board, has started to formulate a recovery plan for the ailing personal computer manufacturer, reports Louise Kehoe in San Francisco.

Last week, in conference calls with Wall Street analysts and the press, and in an address to company employees broadcast to the company's sites worldwide, the new Apple chairman and chief executive began with a frank assessment of Apple's predicament.

"Boy, we sure got ourselves in a fix," he said to employees. Apple reported losses of $740m for the quarter ended March 29, including a $388m write-off of excess inventories as well as restructuring charges. Sales, at $2.2bn, were down 18 per cent from the same period last year.

The first order of business, Amelio stated, will be to cut costs. Apple is selling a large production plant, employing 1,100 people in Colorado and will lay off an additional 2,800 workers over the next 12 months. He is also moving quickly to shore up Apple's dwindling liquidity by renewing short-term loans and seeking additional financing.

The more taxing question for Amelio, however, is how to restore Apple's reputation for leading-edge technology and its sales growth. Rashly, perhaps, Amelio promised when he arrived at Apple to present his strategy for the company's "transformation" within 100 days.

He is now planning an address early next month at a previously scheduled Apple event in California for software developers. His presentation will also be closely watched by Apple investors, employees and customers. Industry analysts say it could be a "make or break event" for Apple and for Amelio.

Following in the footsteps of John Sculley, the former Pepsico executive who became known as a technology visionary when he served as Apple's leader, and Michael Spindler, a no- nonsense manager who is now taking the blame for Apple's problems, Amelio aims to strike a balance, style-wise.

"A successful manager in today's high technology business has to be capable of articulating a vision for his company as well as being a strong implementer. If you have one without the other you are not successful," he said.

San Miguel chief shows his bottle

As a fifth-generation scion of a corporate dynasty, Andres Soriano III, chairman of the Philippines' San Miguel, ought to be a playboy tycoon by now, *writes Edward Luce in Manila*. However, events at last week's annual meeting in Manila, at which the brewery and consumer goods giant warned of a flat profits outlook suggest that Soriano isn't like that at all.

Educated at prep and public school in Sussex, England, and at the Wharton school of finance in the US, the Spanish-speaking chairman of San Miguel responded to the drama with anglo-saxon stoicism. Indeed, with a whittled-down 2 per cent family holding in the country's oldest blue chip enterprise, Soriano, 45, could argue that he owes his chairmanship to merit rather than inheritance. Looking beyond the stock market flurry, the sober-suited Soriano said that the company's $1.6bn overseas expansion, encompassing breweries in Vietnam, China, India and Indonesia, would reap medium-term dividends but had pushed up short-term borrowing costs.

Hamstrung by a share dispute with Eduardo Conjuangco, the former chairman of San Miguel who fled the country in 1986, San Miguel's chairman observed that the company was unable to tap the equity markets pending legal resolution of the dispute. Conjuangco, who is thought unlikely to win the protracted argument, claims about 50 per cent of the shares. San Miguel, Soriano continued, was also disadvantaged by the fact that its main competitor, Asia Brewery, was under-pricing its products by using tax loopholes. In short, what San Miguel needed was a level playing field, said Soriano.

B Elliott has just the job for Clubb

Ian Clubb, who continues collecting top jobs, becomes non-executive chairman of B Elliott, the diversified UK engineering group, in July, *Simon Kuper reports in London.*

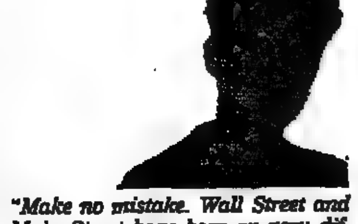
Clubb will continue as chairman of Central Transport Rental (CTR), the debt-laden trailer rental group formerly called Tiphook, and as non-executive director of a clutch of companies. He joined the B Elliott board a year ago, after meeting Michael Frye, its chief executive, on the board of TLG, formerly Thorn Lighting Group, where they are both non-executives.

Clubb impressed Frye with his financial background – a chartered accountant, he was finance director of BOC, the industrial gases company – and his far east expertise. B Elliott plans to set up more joint ventures in the region, and is likely to open an office in Malaysia soon.

Frye says the amount of time per day the new non-executive chairman gives B Elliott has yet to be decided. "He'll give what's needed," says Frye. Clubb succeeds Gerald Dennis, who is leaving the company for personal reasons. Clubb's past includes spells as deputy managing director of Rupert Murdoch's British Sky Broadcasting, and as managing director of Carless, the oil independent.

When he took over troubled CTR he said he wanted it to be seen "as often as a lizard drinking water", and to become "the most boring office in the country to work in".

Robert Montague, the former chief executive, has since been declared bankrupt, but CTR has yet to become boring. Clubb is trying to arrange a debt restructuring, and the company reported increased interim pre-tax losses of £12.8m (£7.2m) for the six months to October 31.



Stephanie Flanders · Economics Notebook

Talkin' bout a revolution

After years of downsizing and stagnant wages, will US workers take revenge?

"Make no mistake. Wall Street and Main Street have been on very different paths over the past 13 years. Temporary divergences can be expected from time to time . . . (but) ultimately, the two paths must reach the same destination. That's what worker backlash is all about."

These may sound like the words of a worker activist, or, perhaps, the born-again populist Patrick Buchanan, but in fact they are drawn from a recent investor update by Stephen Roach, the respected economist at Morgan Stanley in New York. For some time now, Roach has been urging his clients to adopt "the backlash play", a strategy which assumes that the bull run of the 1980s and early 1990s can only go so far, before workers start to demand a piece of the action.

He is not alone. David Hale, senior economist for Zurich Kemper Investments in Chicago, has recently woken up to the same possibility. In his view, the high protest vote for Buchanan in the early Republican primaries raised the question of whether "American industry's unfolding victory in global markets will be offset by a defeat for the hearts and minds of the American people . . . "

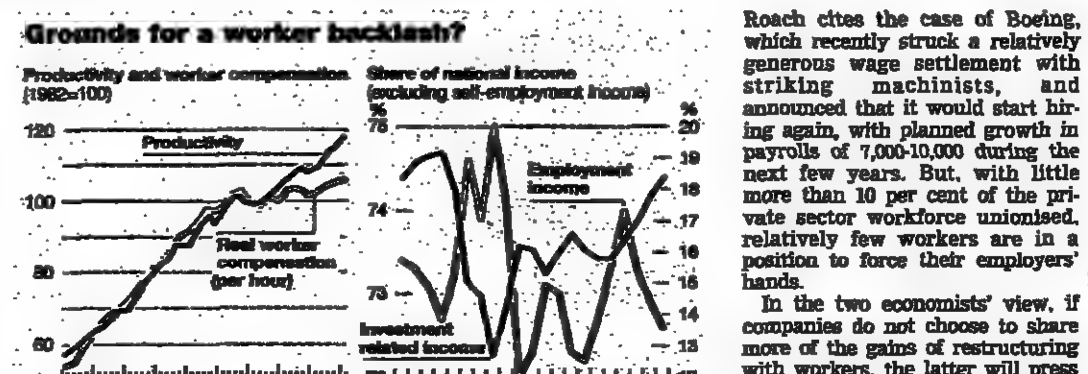
It would be easy to dismiss such claims as scare-mongering. But it is unarguable that the boom in US productivity and profits in recent years has been financed, in large part, by the US workforce. The question is whether this pattern is likely to be reversed in the near future, either by workers themselves or the politicians they elect to represent them.

Roach's argument goes something like this. The restructuring of the US corporation from the mid-1980s onwards has achieved a remarkable turnaround in US competitiveness. Productivity growth has picked up after years of poor performance, labour costs and inflationary pressure have shrunk dramatically, and corporate profitability has surged. But the miracle has a dark side, namely mass layoffs and, most striking, a breaking of the age-old link between labour productivity growth, on the one hand, and real compensation (including benefits) on the other.

Economists always point to the latter relationship when responding to complaints about the slow-to-non-existent growth in the real incomes of most US households during the past 20 years. Stagnant real wages, they argue, are the price the country pays for anaemic productivity growth. Get productivity moving again and, sooner or later, living standards will follow.

It has certainly not been "sooner". As Roach notes, productivity in the US nonfarm business sector grew by 2 per cent per year, on average, in the first half of the 1990s, but real compensation per employee has grown by a mere 0.6 per cent per year.

As the graph shows, the gap between the two has shown up in a change in the distribution of national income. The share attributable to employee compensation was 72.6 per cent in 1995, nearly 1½ percentage points lower than in 1992, and nearly 3 percentage points down on 1982. Meanwhile, investment-related income (including profits and rents) accounted for 18.4 per cent of national income last year. That was 2½ percentage points higher than three years earlier and 5½ percentage points up on the dark days of the 1980s recession.



Roach believes that the first-round of productivity gains from corporate restructuring had to be distributed to the owners of capital, rather than workers, so that companies could invest in the machinery and equipment needed to sustain higher worker productivity over the long haul.

The US corporate sector has been on an investment spree in recent years. Non-residential investment grew by 21 per cent in real terms during the first half of the 1990s, against a rise of only 3 per cent in the previous five years. Yet, as the quotation indicates, Roach doubts that these halcyon days for US corporations can continue.

The basic principles of economic theory – not to mention the social and political well-being of the country – demand that the improvement in company balance sheets begin, finally, to show up in the bank accounts of the average working family. But how might such a reversal take place?

There are various possible routes out of the problem, though none sounds overly plausible. The first would be for restructured companies to choose to give workers a larger stake in their success, either through boosting real wages and employment or, as Hale proposes, sharing their profits with employees more directly, through formal profit-sharing or by encouraging more of them to participate in employee stock ownership plans (Esops) and the like. As he points out, the highly unequal distribution of equities in the US is one important reason for the divergence between Wall Street and Main Street. Only 13 per cent of US workers belong to profit sharing plans and just 3 per cent belong to Esops.

You need not have a very low opinion of US companies to wonder whether many would adopt these solutions of their own accord. Roach cites the case of Boeing, which recently struck a relatively generous wage settlement with striking machinists, and announced that it would start hiring again, with planned growth in payrolls of 7,000-10,000 during the next few years. But, with little more than 10 per cent of the private sector workforce unionised, relatively few workers are in a position to force their employers' hands.

In the two economists' view, if companies do not choose to share more of the gains of restructuring with workers, the latter will press for other, less benign, solutions in the upcoming general elections. The doomsday scenario would be for government to respond to voters' discontent with onerous new regulations on business, increased protectionism, and – putting the quest for budget balance to one side – a good old-fashioned dose of fiscal and monetary expansion.

Now this *does* sound like scare-mongering. True, even Congressional Republicans are beginning to talk about increasing the federal minimum wage. But neither President Bill Clinton nor his opponent Senator Bob Dole seems willing to go far beyond this in terms of proposing specific measures to boost the average worker's pay packet.

In the end, bringing Wall Street and Main Street back into line will involve both companies starting to invest more in their in-house human capital *and* government acting to improve the skills and education of the nation as a whole. Companies have little to fear in such an outcome. But, on present reckoning, they will be travelling on a different path to workers for a while yet.

Michiyo Nakamoto on the challenges facing the first westerner to head a leading Japanese car maker

New driver takes the wheel

Patience is a quality which will serve Henry Wallace well when he becomes the first westerner to head a leading Japanese car maker this summer.

The staid Scotsman, whose imminent elevation to the post of Mazda president follows Ford's recent decision to take a controlling 33 per cent stake in its long-time partner, speaks little Japanese, a language he finds obscure, and has had difficulty getting used to some aspects of the way business is done in Japan.

"I can't possibly understand all the nuances of Japanese culture," concedes Wallace, who has been with the company for the past two years as executive vice-president. The appointment of a foreigner, however, may be just what Mazda needs to shake it out of its complacency and expose it to new ideas.

Mazda reported consolidated pre-tax losses of Y37.2bn (£230m) in the year to March 1995 and Y47.4bn in the previous year. In the last calendar year, vehicle production in Japan fell 22 per cent to 773,000 units, or nearly half the peak level of 1.4m units in 1990.

Understandably Mazda's new man at the wheel has sent a shiver of nervousness throughout the network of relationships of Mazda employees, suppliers and dealers which has supported the economic growth of Hiroshima, the company's home town whose residents are known to regard even people from Tokyo as outsiders.

Developments are also being watched, with some trepidation, throughout Japan where people wonder what will happen to the identity of a company which has done Japan proud. While no other national industry has faced similar pressures from overseas, many ask whether Mazda's fate provides a lesson to other Japanese companies.

Mazda's loss of independence can arguably be traced to management flaws which have seen the company emphasise its production skills at the expense of strategy and marketing. Its experience belies the view widely held in the west that Japanese companies are better at adapting technologies to meet market needs than at inventing new technologies.

Throughout its history Mazda has been an innovator of some highly acclaimed technologies, such as the rotary engine, and cars that are recognised for their superior engineering. In a market dominated by Toyota and Nissan the urge to differentiate itself in this way has always been strong.

"Mazda people were told that if they copied others they would not be able to survive. So the corporate aim was to bring out products that were unique," notes Hiro Akutagawa, a senior staff manager in public relations.

The drive to develop innovative technologies and an emphasis on manufacturing excellence, which Mazda shares with many other Japanese manufacturers, fostered an environment in which engineers had tremendous influence.

But, while the concentration on production has undoubtedly been crucial to the success of Mazda, that success obscured an astonishing disregard for key management issues that many managers would consider equally important for the viability of a company, such as corporate strategy and financial controls.

When Wallace and his team of three other managers from Ford arrived at Mazda in 1994, they discovered a company without clearly defined strategic goals.

Instead, Mazda was run by a number of competing fiefs, or "amoebas", as one Mazda official notes, each out to serve its own interests.

As a result, products were developed without concern for the overall corporate strategy. For example, in the 1980s, Mazda's overseas marketing division asked the R&D division to develop a mini-van – known as a multi-purpose "people carrier" – outside the US, years ahead of its Japanese competitors.

But once the mini-van was developed, the domestic marketing team rejected it, leaving the overseas marketing division to sell it in the US alone. As a result, when demand for recreational vehicles exploded in Japan in the 1990s, Mazda was left without a competitive product on offer.

"We were not making decisions on a corporate level," concedes one Japanese official who was involved in the project at the time.

While the lack of a coherent corporate strategy may have been more pronounced at Mazda than at most Japanese companies, to a large extent the lack of management direction stems from a characteristically Japanese emphasis on consensus and a reluctance to create discord within the group.

Rather than formulate corporate strategy and then try to build a consensus around it, Mazda management has, in the interests of harmony, been happy to avoid doing either.

"Management conferences used to be like approval ceremonies," explains one official. The timetable, which allotted three minutes for discussion of each item on the agenda, was strictly adhered to, and although there was no real consensus, nobody dared to express an opinion, much less opposition, he says.

"In Japan, silence is golden," explains Tadahiko Takiguchi, managing director in charge of product planning and R&D.

Associated Press

Henry Wallace: 'I can't possibly understand all the nuances of Japanese culture'

In the past two years that they have been with Mazda, Wallace and his Ford team have inflicted shock therapy on that corporate culture and in the process they have earned themselves the title of the "Gang of Four from Ford".

Officials at Mazda confirm that things have already started to change. "People who had suppressed their views have suddenly started to speak up and management conferences have become occasions for real debate," says one.

The foreigners have also introduced a greater emphasis on quantitative market data than had been the practice at Mazda previously.

Marketing at Mazda, which prided itself on its technological innovations, had depended on what products its engineers wanted to make, rather than on what the market said customers wanted.

"There is something fuzzy about the way Japanese do things," concedes Yoshihiro Wada, the outgoing president who was sent in to Mazda four years ago by Sumitomo Bank, its main bank.

"But the men from Ford said if you can't get that data you must be hiding it," notes Takiguchi. Under their influence, decisions on design are no longer left up to the subjective feeling of the designers, while sales forecasts are based on a more rigorous examination of market data.

"Mazda has become less product driven and more market driven," Takiguchi points out.

Financial controls are also more rigorously enforced. Under the guidance of Wallace, who was finance director on the team behind Ford's first real world car, known as the Mondeo in Europe, Mazda's profit outlook is now reviewed monthly, rather than every six months, "so that corrective measures can be implemented rapidly", Wallace says.

Ford's changes have already met some resistance. There are fears that Mazda's identity will be lost, that treasured projects such as the rotary engine will be dropped and that Mazda will become just a small piece in Ford's global strategy. Employees worry that "Mazda will no longer be a place where they can fulfil their dreams", says one Mazda official.

However, on the whole, most managers welcome the clear direction they believe Ford can provide. "No matter what colour the eyes of management are, as long as Mazda can sell good products we will be happy," one manager observes.

That view is supported by a greater recognition that Mazda needs to change if it is to survive the challenges of a harsher market environment.

By combining Mazda's product development and manufacturing skills with Ford's management expertise, the hope is that Mazda will become a much stronger company. "By mixing the two different cultures, I believe we can make a new Mazda," Wada says.

But "it will take time", he adds. "You can't expect a long-distance runner to become a short-distance champion overnight."

'A real gentleman'

Henry Wallace may have all the leadership skills that are considered important in the west. But, more important for his new job, he also has qualities that will be essential for the restructuring of Mazda under the aegis of Ford.

A tall, green-eyed Scotsman with a serious demeanour, Wallace, who was raised in England, is described by his Japanese subordinates as "a real gentleman".

"The success of Mazda's restructuring depends critically on Wallace's personality," maintains one Mazda official.

The sensitivity that Wallace has shown towards the Japanese way of doing things distinguishes him from many aggressive westerners who try to push their views through on the grounds that they are right.

"Wallace is gentle and polite. If he had been an 800lb gorilla [forcing his views on us], it would never have worked," the official says.

Wallace, who is 50, has some experience with foreign cultures, having spent three years in Mexico and two years in Venezuela. A graduate of Leicester University with a degree in economics, he speaks Spanish and German in addition to his native English.

Japanese has clearly been more of a challenge. "The Japanese language is a very ambiguous language. It's not what you say but what you haven't said that is important, so that makes it difficult," he says.

The need to communicate through an interpreter most of the time is not only time-consuming, it can be very frustrating for someone with an agenda. "There's a certain level lost in translation so you're really going through two levels of translation," he explains.

As a result, brain-storming takes on a different meaning in Japan. "I have a short concentration span and it's easy for your mind to wander off to other subjects."

But even with his limited Japanese, Wallace has demonstrated an understanding of the peculiarities of Japanese culture, where relationships and consensus building are crucial to getting anything done.

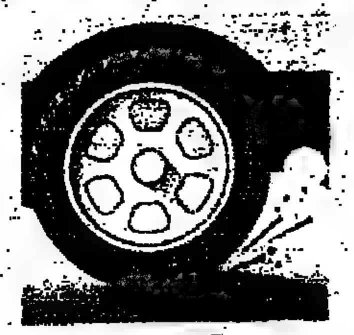
"You have to have a higher level of consensus in the organisation than you do in the west because even if you have consensus at the management level if you don't have consensus at a lower level, things won't go smoothly," he says.

For a company like Mazda, based in a provincial city where people tend to be rather inward-looking, this is particularly true. By sending a clear message to Mazda employees that he considers himself part of the Mazda team, Wallace has earned the trust of many people who may initially have been sceptical of his intentions.

Japanese people view the executives who came from Ford as foreigners. But the individuals think of themselves as Mazda people. "Ford has chosen its men very carefully," says Yoshihiro Wada, Mazda's outgoing president.

Although a skilled golfer, an accomplishment which has won him the respect of Japanese businessmen, Wallace is also a private person who generally keeps business and family affairs separate.

"That is actually a relief," says one Mazda official. "If we were constantly invited over to his house, we would feel very uncomfortable," he explains.



FAST TRACK

Cambridge Neurodynamics

Six years ago, when Mike Lynch, a researcher at Cambridge University's engineering department, decided to turn his research into a business, his bank refused to back him. "In those days it was difficult to raise finance in a complicated area," he says.

His proposal was indeed dauntingly technical. He wanted to tackle some difficult problems in automatic pattern recognition by applying advanced signal processing techniques to the branch of computing known as neural networks.

But a short-term loan of £2,000 from a friend was enough to get the business started and, within a few months, it was making profits. Profitability of the company, called Cambridge Neurodynamics, has since risen steadily; it now makes more than £1m profit a year, on turnover of £2.5m.

Its credibility also grew. Its marketing partners include ICL, Unisys, Racal, Data General; its customers include the police and the Ministry of Defence. Last year, it received a £2m investment from Apax Partners, the venture capitalists, which describes the company as "stunning".

The business is built on the pattern recognition abilities of neural networks. These nets, which are composed of many small processors working together, are capable of searching for patterns that are more complex than conventional computers could handle.

For example, car number plates are difficult to read automatically using conventional programming techniques, because they may be muddy, broken or moving. Neural networks can deal with distortions, because they are "trained", by exposure to a wide range of examples.

But neural networks have their limitations. "People say they have the brainpower of a slug. I would compare them to a retarded slug," says Lynch. He believes they should only replace routine tasks.

Examples of tasks tackled by neural networks include fingerprint recognition for police work and for security purposes, cheque reading, credit assessments, freight identification and facial recognition systems. In most cases, humans are needed to complete and confirm their findings.

The company – which is now based in Cambridge's St John's Innovation Park – has recently set its sights on the potentially huge market of "intelligent agents", a type of software that can perform tasks autonomously over a network.

Cambridge Neurodynamics' AutoNomy software can "learn" what a user wants from the Internet, and then search and retrieve it. It is capable of refining its search according to the user's response to the items that it has already selected.

Cambridge Neurodynamics is currently negotiating a marketing partnership for the agent software, which it expects will cost less than £100.

Lynch is convinced that the software will be a best-seller. He dismisses sceptics who believe that US companies will inevitably lead this field, by pointing out that Cambridge is one of the three top centres in the world for research on neural networks.

Vanessa Houlder

Making the most of your phone

Lucy Kellaway

I used to think I knew how to make a phone call. You pick up the receiver, dial the number, say your message, maybe chat for a bit, say goodbye, hang up. Easy as that. Now I am not so sure, thanks to a booklet I have just received from TSB PhoneBank. According to Fit to Phone, there are four steps to making a successful telephone call: planning, rehearsing, performing and reviewing. You need to set goals and find out what the call is meant to achieve. You must think about the best time to make that call.

When you have dialled the number you must give your name to the person on the other end, and show you value them by using their name. Body language is also critical. "If you feel more confident standing up, stand up. It's important that you feel positive and in control," says the leaflet. You must be polite, listen actively, ask open questions, and repeat back what they have said to you. After the call you should ask yourself: have I achieved what I wanted?

Even by the standards of facile pamphlets this one takes some beating. Much of the advice it gives is wrong headed: there is nothing more irritating than talking to someone who keeps using your name and summarising whatever point you have just made.

The pamphlet comes with some bizarre research telling us that customers behave worse on the phone than when buying in shops. It finds that nearly half of phone shoppers eat or cook when on the phone, and 17 per cent doodle or watch the TV. Even if these numbers are true, I can't see the problem. If I cook or watch telly when I'm ringing First Direct to check my bank balance, it is not because I'm not making the most of the phone. It is because I *am* making the most of it. If only one could cook the dinner while shopping at the supermarket.

It is not hard to see why companies are looking for ways of keeping agitators out of their AGMs. The time and expense involved in circulating shareholders' motions is only part of it. The main motivation must be simple fear. Chairmen are terrified lest they be subjected to the sort of rumpus that met Mr Richard Giordano at British Gas's AGM last year. Most chairmen are remarkably poor at handling hostile questions. No matter how much rehearsing they have received from their PR firms beforehand they still end up getting cross, fumbling the question, or generally showing themselves to disadvantage. The answer is not to suppress the hostile questioners but to find chairmen who can take the flak.

It has been a bad week for baked beans. Not only did their price fall to just 3p a can as supermarkets embarked on another round of price cutting, but their image fell even lower in one of the feeblest Conservative Party campaigns ever. This showed cabinet ministers grinning inanely between two piles of baked bean tins, one of which was marked "Liberal Democrat half-baked beans" and the other "Labour has-beans". How frightfully amusing. So what does that make the Tories themselves? "Conservative bean there, done that"?

"Imation", you may be interested to know, is a new word that has been created to name a 3M offshoot that is shortly to be floated. In celebration of the name the company has released a 40-page press pack complete with photographs, slides, floppy discs and tips on how to pronounce the word. At first, the company's full name will be: "Imation – Borne of 3M Innovation", although it will drop the subtitle as soon as people have heard of it. Or, in the company's words, as soon as "benchmark awareness levels are achieved". To my eye the logo shows a hand-holding a magic wand with noughts and crosses coming from the end of it. But it seems I am missing something: "The hand emphasises the entrepreneurial role employees will play in working closely with customers to create innovative products and services that solve problems and meet needs", says the press release. All of which makes me proud of this paper's logo, an "FT" in pink.

Last week I complained that I was finding it hard to get used to a minor alteration to our computer system, and concluded that achieving real change at work was well nigh impossible. Since then I have received a stack of letters and faxes from consultants who make a living out of corporate change. They all assure me that wholesale change is perfectly possible, so long as you follow their unique change management programmes. Many of these involve a series of simple steps: acknowledging the need for change, deciding upon which changes are necessary, communicating those changes, and then reviewing the process. It seems that changing your company is easier than making a phone call.

Smile - it makes sense

Management education is not just about reading a balance sheet or mastering the computer system – communicating with employees and the outside world is a hefty part of the job.

In recognition of this many managers are now being trained to talk to their employees more effectively. Many hope to win extra business through better communications with clients.

The golden rules, says Cristina Stuart, managing director of SpeakEasy, which trains managers to improve their communications skills, are:

- Look at people – do not depend on notes;
- Pause more often;
- Always stand if you can;
- Avoid fiddling – it betrays nervousness;
- Simplify what you have to say, using anecdotes rather than figures.

Above all, she says, smile and look friendly – most prospective clients want to do business with people they like. "The more senior the manager, the more concerned they are about coming across as flippant and not being taken seriously," she adds.

DB

Della Bradshaw visits a European institution which is re-defining its role

Search for a silver lining

What do you do if you are a business school director and want to employ an extra professor but do not have enough cash in the bank? The answer could be to advertise on an academic network to find another business school which is happy to make a joint appointment, splitting the cost.

Bringing such people together is one of the roles of the European Institute for Advanced Studies in Management (EIASM) in Brussels, which is celebrating its 25th anniversary this year. Elsewhere it educates doctoral students and organises seminars.

"I would describe the institute as a network," says Gerry Van Dyck, EIASM's recently appointed director.

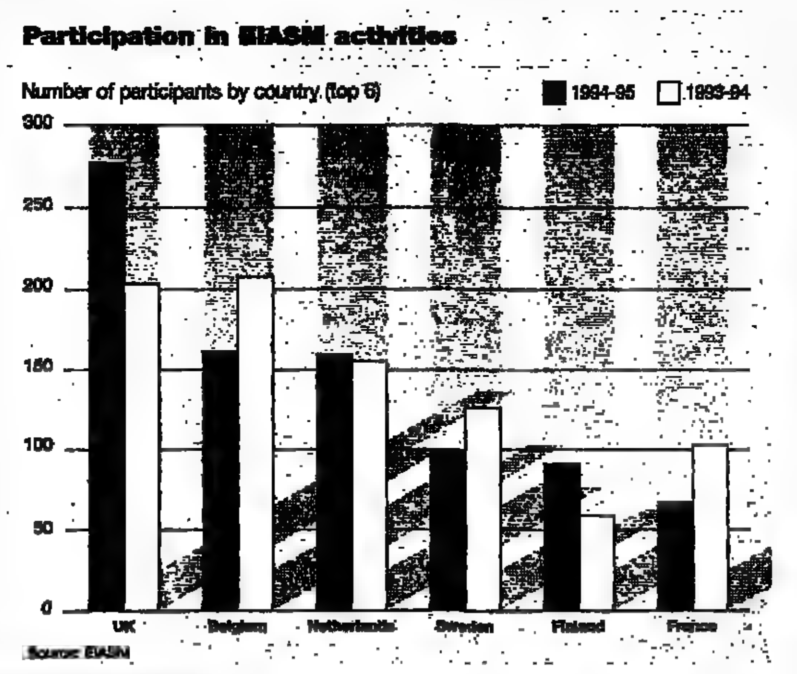
EIASM started life as a Anglo-American initiative, intended to spearhead American-style business education techniques in Europe. The optimism of 25 years ago was bolstered by funding from European governments. The last government cash evaporated last year and a hard-headed financial reality has now replaced the blue skies approach to management research of the 1970s.

Van Dyck, the only full-time director of EIASM since the first incumbent in the job two decades ago, sees her role as masterminding the transition of the institute from a purely academic to a truly commercial organisation. "The task for the future is to translate academic research for businesses and get more input from business communities to target research. As resources are getting more scarce research has to fulfil several functions," she says.

Her aim over the past year has been to persuade business schools to commit themselves as institutional members of the organisation and to back their commitment with cash. So far, 52 have responded to her call but she is still looking for more. "I want the institute to grow in a controlled way. I want 100 members that are right. And if they are not right I prefer 75 that are right."

As well as acting as an information source, the institute runs small-scale meetings – between 25 and 30 a year – on specific topics, accounting research, say, or production control. It also organises conferences and newsletters for outside organisations.

Participation in EIASM activities



Source: EIASM

But by far its most innovative programme gives doctoral research students the chance to work with those studying for doctorates in management at other European universities.

The impetus behind Eden (EIASM's doctoral education network) was that doctoral study is a lonely business, with only a handful of students in each school. "But if we can get 20 together – two from London Business School, two from Insead, and so on – we can provide them with very intensive one-week seminars," explains Van Dyck.

Eden comprises five one-week sessions over a two-year period. Each is taught by an acclaimed academic who waives traditional fees. "The strange thing is that these are people who can get tremendously high consultancy fees," points out Van Dyke. "The only way I can explain it is that working with doctoral students has a pay-off other than money."

Van Dyke intends to extend Eden into further disciplines – at the moment it covers only finance, accounting and marketing.

A third target is to expand the institute's influence into eastern Europe. "Twenty-five years ago there was a perceived need to improve links between the US and Europe. Now there is a perceived need to extend our network between western Europe and eastern Europe," she says.

NEWS FROM CAMPUS

Tartan power takes on American advice

The Wharton School is running a business leadership programme with Scottish Power which comprises three dimensions – personal development, group learning, and the transfer of learning to the business as a whole. The process takes 15 months including participation in an external course at one of four schools – Wharton, Kellogg, London Business School or Insead. Using more than one school is expected to provide a contrast in approaches and viewpoints for those involved.

Wharton: US, 215 898 5000.

Combined master is fruit of kiwi initiative

New Zealand students should soon be able to study a combined masters degree in business administration and public health.

The degree is being planned at the University of Otago, in Dunedin, and should be in place by 1997. The qualification is part of a worldwide acknowledgement that the healthcare sector needs top management, and will provide a combination of senior management experience and a knowledge of healthcare.

University of Otago: New Zealand, 3 4798045.

Oiling the wheels of company training

The UK operation of oil company Texaco has become the latest blue chip company to sign a partnership with a business school to provide training for staff.

City University's business school, in the heart of London, has been working with Texaco for almost a year to develop the range of programmes ranging from a single day course to a masters degree.

City University: UK, (0)171 477 8000.

How to develop a personal career path

Many managers are now focusing on the concept of personal development. In the light of this Ashridge Management College is holding two free briefings on the subject tomorrow in Manchester and on Wednesday in West Bromwich.

Ashridge: UK, (0)1727 850761.

CONFERENCES & EXHIBITIONS

هكذا من الأصل

BUSINESS TRAVEL

Travel News · Roger Bray

Jerusalem hotel delay

Tension following the Hamas bombings and heightened by Israel's attacks on Lebanon have delayed the go-ahead for two new Jerusalem hotels, planned by the Spanish chain Grupo Melia Sol.

Luis del Olmo, marketing vice-president, says there is "a certain nervousness" among the joint-venture partners involved in the projects, which are both conversions of existing buildings.

No more paperchase

Ticketless travel marches on. USAir has become the latest airline to dispense with tickets in favour of storing passenger details electronically.

So far the system is available only to passengers booking domestic flights in the US direct, but the system will also cover bookings with USAir Express, a group of regional and commuter carriers which feed traffic into the airline's main hubs.

It does not yet extend to USAir Shuttle flights, which operate between Washington National, New York La Guardia and Boston. There are plans to include them later, however, and to stretch the system to cover international services.

Under the system, customers are given an identification number when they make their reservations. At check-in they receive a boarding card on production of photographic identification, such as a passport.

Stubbed out

Smokers are increasingly being treated as pariahs by airlines. Finnair has just imposed a ban on most European flights, and expects to extend it worldwide by the end of next year, while American Airlines will forbid smoking on all its 238 trans-Atlantic flights from June 1, and on services between the US and Caribbean.

The growing threat of lawsuits is also persuading carriers that clean air is the way to go. Passengers irritated by smoke in the cabin have already taken legal action against at least one US airline, and cabin staff have launched a class action claiming long-term health damage.

Virtual information

Travellers to the UK can now use the Internet to find a hotel close to the business they are visiting which most meets their needs. And if they have a predilection for Italian or Chinese food, say, they can predetermine where they would like to eat.

A new service called Infernet *(leisurehunt.com)* allows them to home in on travel destinations and initiate a search within a given distance. They key in the standard of accommodation they want, and concentrate the choice on hotels offering conference facilities, for example, or those with swimming pools and exercise rooms, and the computer offers a list of suitable options.

One weakness is that, so far, the programme shows only hotels which meet the criteria. So if nothing comes up to scratch you have to retrace your steps and adjust your requirements. But Ipswich-based Infernet plans to sharpen it so that it displays a list of those hotels which come closest.

Frequent shoppers

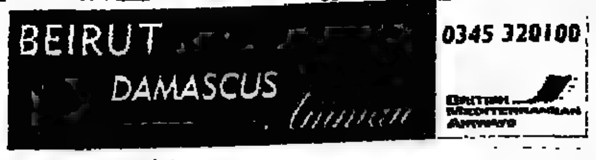
KLM, the Dutch airline, has started awarding frequent flyer miles to duty and tax-free shoppers at Amsterdam's Schiphol airport.

Passengers get six points for every 20 guilders they spend. You need 10,000 points to qualify for an economy-class return ticket between London and Amsterdam, for example – which works out at 830 litre bottles of whisky.

Likely weather in the leading business centres

	Mon	Tue	Wed	Thur	Fri
Tokyo	15	17	21	22	21
Hong Kong	24	25	28	27	28
London	16	14	16	17	18
Frankfurt	27	25	21	20	20
New York	22	21	17	19	16
L. Angeles	24	27	28	31	31
Milan	22	16	18	19	21
Paris	23	17	19	19	20
Zurich	25	22	19	17	17

Information supplied by Meteo Consult of the Netherlands · Maximum temperature in Celsius



Michael Holman commiserates with Tubby Fanshawe over flight changes to Africa

Driven to desperate measures

"Tosh," said Tubby Fanshawe. "Utter tosh. *'Gatwick – gateway to Africa'*," he read out. "Not so much a gateway as a bloody cul de sac, if you ask me. And what gets my goat is that British Airways think they can get away with treating us like idiots."

With that, Tubby angrily crumpled the letter he was reading, tossed it into the nearest ashtray, and summoned the waiter for a refill.

I looked up from my *Official Airline Guide*, where I had been trying to work out whether it was possible to fly from Lilongwe to London via Nairobi on a Thursday.

"You've lost me, Tubby. What's up?" I asked the distinguished accountant with whom I have shared many an African journey. We were sitting in the top-floor cocktail bar at Nairobi's Inter-Continental hotel.

"British Airways have stopped using Heathrow for most of their flights to Africa," said Tubby. "Just been reading a letter from that woman who keeps writing to me."

I couldn't believe my ears. Given a choice, among London airports, of Gatwick or Heathrow, most travellers choose Heathrow every time – not because it has better shopping malls or more hamburger joints, but because it offers better connections, within Britain and to the rest of the world.

"Are you quite sure, Tubby?"

Tubby retrieved the letter and did his best to smooth out the creases. "See for yourself," he said angrily.

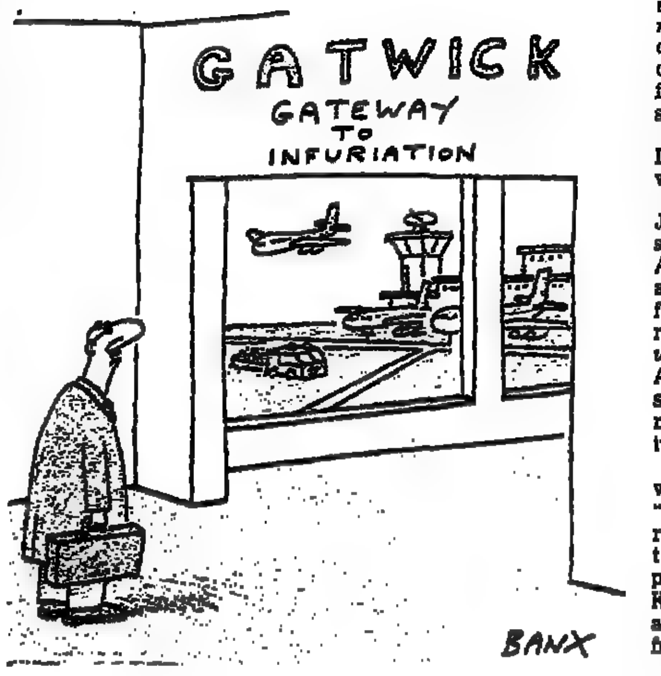
He was absolutely right. *From March 18, travellers heading for Lilongwe, Harare, Entebbe, Lusaka, Kano, Nairobi or Dar es Salaam will depart from Gatwick*, I read. *Yours sincerely, Carol Mickleburgh, Manager, Executive Club.*

"And take a look at the bumph that comes with the letter!" exclaimed Tubby. "Written by those advertising johnnies. When it comes to travelling in Africa, they don't know the difference between a baobab and a baboon's whatsit." Tubby's nicotine-stained forefinger prodded the offending sentence. "Gatwick – gateway to Africa! I ask you!"

He's been in a foul mood ever since he failed to qualify for a BA Executive Club gold card, and was downgraded to silver. "It's the last straw," he continued. "And what I resent most is the effrontery of it. Do they think we're stupid?"

I beckoned the waiter. "Explain," I said to Tubby, once the refills had arrived.

"What gets my goat," he told me, "is that these BA chaps try to pretend that they've done us a favour. Listen to this." Pausing for a long draught of Tusker, the excellent local beer, Tubby thrust a BA brochure in front of me. "Read for yourself." Tubby had underlined the offending passages.



I read out: "*It's no wonder 22.5m people chose to travel through Gatwick in 1995.*"

"Not if they were going to Africa, they didn't . . . " Tubby said.

"*March 18, BA passengers travelling on these African routes will join them.*"

"No bloody choice," said Tubby. "Carry on, it gets worse."

"*So we all have something to gain from the changes on March 18th.*" I choked on my cashew nuts. "BA is treating us like idiots," I told Tubby. "What, precisely, have I got to gain?"

Tubby could not resist grabbing the brochure, and reading the final passage himself. "Listen to this, Hollers: *'It's our way of bringing Africa a little nearer.'* If Gatwick is so wonderful, so convenient, why don't they fly to Johannesburg from Gatwick? But oh no, it's still Heathrow," Tubby fumed.

"Why do you think that is?" I asked him, knowing that he was going to tell me anyway.

"Because competition on the Johannesburg route is pretty stiff, that's why. South African Airways is the only African airline that can give BA a run for its money – at least till recently. *'Choose Gatwick'* . . . BA is treating Africa passengers as second-class citizens. We have no choice. It's like it or lump it."

Tubby fell silent. "Perhaps we do have a choice," he said. "Kenya Airways flies to Heathrow, and by all accounts they're now a decent outfit, privatised, done a deal with KLM. And there is also Alliance Airlines, who fly direct from Heathrow to Entebbe."

I got his drift. "Tubby, sleep on it. Too much is at stake. Think of your Air Miles." But Tubby had made up his mind.

"The time has come," he declared. "Principles are at stake . . . " And with that he extracted the scissors from his Swiss Army knife, and in a gesture that brought tears to my eyes, cut his BA Executive Club silver card in half.

A proud man had been driven to desperate measures.

Life on the wing

Roger Bray finds some surprising national traits in travellers

Like Greta Garbo, most business travellers want to be alone. If they must sit next to someone on a long flight, they would rather that person got stuck into a book or movie, and ignored them.

The world's most anti-social passengers are from Hong Kong, according to a report on the loves and hates of business travellers. Perhaps they do not want to be drawn into conversation about what they intend to do after China's takeover next year.

Next come the British, who are most likely to complain about their neighbours to cabin staff. Americans, Germans and Singaporeans were found to be "marginally more friendly".

Nearly 40 per cent of business travellers claim to have changed seats to avoid someone, says the latest Business Travel Lifestyle Survey from *Official Airline Guides* – and 9 per cent say they have suffered sexual harassment on flights.

One reason behind this seeming desperation for solitude could be an urgent desire to escape opinion researchers. This is the second such report to emerge within a fortnight, just in Britain.

It says the British are most likely to be found chasing a drink in the executive lounge and wishing they were relaxing at home. They are least focused on work and career, least bothered whether the flight is on time, and most likely to give up their seat on an overbooked flight in return for money.

The French are most inclined to strike up in-flight conversations, work their charm on check-in staff to secure upgrades, shrug at their employers' travel policies and are most patriotic about flying Air France.

Singaporeans are the most work-oriented – the most likely nationality to take a laptop and most likely to book flights through the Internet, while travellers from Hong Kong are the most avid watchers of in-flight videos.

Meanwhile, the idealistic notion that frequent flyer points should be poured into a company pot to help cut overall costs is being greeted with a rising chorus of rhubarbs from British business travellers.

Another survey shows that an increasing number of those condemned regularly to the red-eye from New York or forced to brave the vagaries of European air traffic control believe they, not their employers, should get the benefit of all those hours in the air.

When it investigated the issue last year for travel agency chain Carlson Wagonlit, Mori, the polling organisation, found that 67 per cent felt rewards such as Air Miles ought to be corporate property. This year the figure has dropped to 56 per cent.

At the same time, more business travellers are cashing in their points, with 47 per cent admitting they had taken advantage. The OAG survey says 75 per cent cash them in, but finds that priority on waitlists is seen as a more important frequent-flyer bonus than free tickets or gifts.

Even if the temptation of a free city break in Paris or a couple of nights at a beach resort does not tax employees' consciences, it is clearly exerting strain on their relationships with travel managers. One in five now concedes that efforts to pile up the points creates a conflict with company travel policy, compared with only one in 10 last year. And about 14 per cent of those making bookings say they have been asked to break policy to help travellers bump up the perks.

Mori does have some good news for finance directors. If the travellers questioned are to be believed, more than three-quarters are prepared to take cut-price, no-frills flights within Europe.

This hairshirt mentality does not extend to long-haul flights, where a comfy seat remains top priority. But it augurs well for the likes of EasyJet, which already operates flights between Luton and Scotland and is about to start an Amsterdam service with one-way fares from £35.

Madison Ave ad agencies eye modem era

Net advertising recalls the dawn of TV, writes Victoria Griffith

In the late 1950s, in the US, an exciting but frightening new media form shook Madison Avenue's big advertising agencies: television.

Advertising agencies scrambled to form new "television" departments, and struggled with new advertising concepts. Today those agencies – or their descendants – are forming "interactive" departments to grapple with new media and are studying the early days of television for inspiration.

"We've taken a look at the experience of TV to try to get an idea of what might happen with the new digital media," says Norman Lehoullier, head of agency Grey Interactive. "We're facing the same excitement – and some of the same demons, too."

Television three decades ago offered fabulous new marketing opportunities. Suddenly, product demonstrations, which had been restricted to small gatherings, could be conducted in front of millions simultaneously.

Yet television was perplexing as well. Programming was scant and often ill-made, and advertisers had no way of knowing how many people they were reaching. However, with the help of ratings from Nielsen, the market research company, and shows like *I Love Lucy*, these challenges were soon resolved.

Advertising agencies now hope their experience with the Internet will follow a similarly happy course. Advertisers on the Internet are facing a content vacuum. Cyberspace is information-heavy in some areas, such as sports, but light in others, like fashion. "Where do we place the ads for women's products?" asks Norman Lehoullier. "In the 1950s, advertisers worked closely with the content providers to come up with the right vehicles [programmes]. On the Internet, we're going to have to do the same thing."

Bristol Myers, for instance, runs a site called Women's Link, which provides information on beauty, fitness and women's health issues, and gives it an advertising platform. Financial services groups offer investment advice to browsers as a way of advertising their wares, while consumer product companies entice users to their sites by means of games.

Eventually, advertisers believe, special network-type organisations will take over the content responsibility, leaving firms to concentrate on getting their product message across. "There will be an ABC, NBC and CBS of the Internet," predicts Lehoullier.

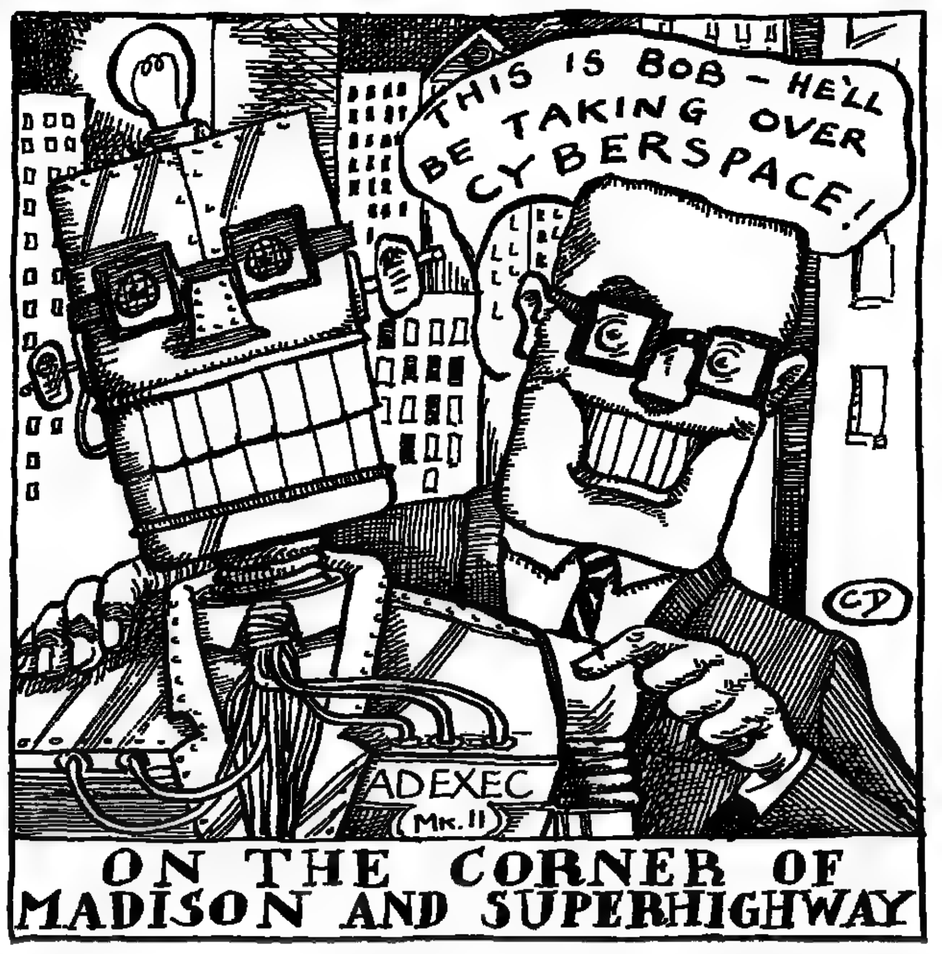
Advertisers also hope the responsibility of measuring audience size will be taken off their shoulders soon. Today, Internet marketeers must create databases to track viewers. Many sites encourage users to provide information about themselves; others assign numbers to browsers during the log-on process.

Yet the Internet equivalent of Nielsen's TV ratings may soon emerge. Already, a group called NPD is measuring a cross-section of personal computer activity.

One development favouring traditional advertising agencies in the new multimedia world is the increasing use of video on the Net. New compression techniques such as Java and Shock Wave allow users to download clips quickly. "The Internet will look more and more like television, which favours agencies like ours," says Michael Troiano, head of Ogilvy & Mather Interactive.

While there may be similarities between the birth of television and the rise of the Internet, there are also important differences. Cyberspace is far more technologically taxing than television, and – unlike television – the technology will probably continue to change, at great speed, over many years.

That may explain why many ad agencies have been slow to seize opportunities in cyberspace. "Madison Avenue firms are not known for their technological prowess, which is probably why a number of them are getting in a little late," says one analyst.



The big US agencies still seem unsure what to do. Many, including Grey, Ogilvy & Mather and J Walter Thompson, have set up "interactive" departments dedicated to cyberspace marketing. A few are ignoring the revolution altogether. Most continue to farm out substantial parts of their work to start-up companies specialising in Internet advertising: firms like California's CKS Group, Boston's Spinners and Washington's Magnet, which have taken up the interactive advertising slack.

"The big agencies were sluggish in responding to the cyberspace opportunity," says Hunter Madson, head of the newly-created JWT, a J Walter Thompson subsidiary specialising in the Internet. "But most have made substantial investments in this area recently to climb up the ladder."

Client demand has pushed traditional agencies into action. Eighteen months ago, advertising on the Internet was widely regarded as experimental. Now it is increasingly an important part of an overall marketing strategy. Not long ago, companies set up Web sites for a few thousand dollars. Now, advertising firms say groups are spending $500,000 or more for a single cyberspace spot.

"We want our Internet advertising to be fully integrated with our brand marketing," says Robin Carlson, a spokesperson for Sprint. "That's why we chose J Walter Thompson over a specialised agency, because they are our advertising agency of record."

Yet the niche firms that have sprung up during the last 18 months are sceptical of Madison Avenue's ability to acquire cyberspace expertise quickly. "They are going to have a very difficult time finding experienced people," says Steven Conine, a partner at Spinners. "We know how hard it is to get staff, because of our own problems recruiting. But now we've [got] a head-start."

Conine believes Internet advertising is far more difficult than many of the big firms realise. "Anyone can set up a Web site, but it's more complicated than that if you want to do it right." For instance, building up databases, coming up with something that's user-friendly and creating links between various pages requires computer programing skills that often exceed Madison Avenue's capability.

The fuzziness between direct marketing, sales and advertising on the Net further complicates life for the big agencies. Advertisers are beginning to send e-mail to clients on the information highway, for instance – similar in intent to direct mail campaigns. Other sites are set up to lead customers to a cyberspace purchase. The process involves credit card encryption and other technical challenges that may quickly wrong-foot traditional agencies.

Madison Avenue is still largely ill at ease with cyberspace. Yet, as with television three decades ago, analysts say the information highway is too significant a development for the large players to ignore.

"The big advertising firms have a lot to offer clients looking to market their products in cyberspace," says one observer. "They know about brand image and they have a lot of creativity. At some point, they are probably all going to have to develop capability in this area. The only uncertainty is how they'll do that – and how long it will take them."

Tim Jackson

Doctoring the data

In Britain, with its command-economy healthcare system, entrepreneurship and medicine have traditionally been mutually exclusive. One would no more expect to find business savvy in a doctor than in a civil servant.

The US is another country; they do things differently there. Hence, perhaps, the success of Physicians' Online (POL), a private Internet information service founded by three medical practitioners in 1994. Physicians' Online – the presence of the apostrophe and the absence of any capital letters in the middle of words say something in themselves – is based on two ideas of great simplicity. Doctors can benefit disproportionately from the things that online services can do; they are also, in the words of Dr Steve Zatz, the company's chief executive, "a uniquely sponsorable community."

That is partly because US physicians run small but high-margin businesses, which have plenty of money to spend on all kinds of products and services. It is also because the prescribing decisions they make on behalf of patients are worth over $1 trillion a year.

Traditionally, drug companies have great difficulty in selling their wares to doctors. They hire expensive, highly educated salesmen; yet these salesmen spend remarkably few minutes of each day actually talking to their "clients". Pharmaceutical reps are usually treated with such contempt that they are often forced to deliver a three-minute spiel while the doctor is munching a sandwich between patients. No wonder doctors are flooded with gimmicky free gifts.

The opportunity to deliver a sales pitch electronically, to a physician who is in a receptive mood, is therefore of immense value to drug companies. While the going rate for an average Internet user is about $0.02 US per "impression" (per page of advertising viewed), Dr Zatz says that two views a month by a doctor of a page of information can be worth "north of $50" to a pharmaceutical firm.

POL has been able to put together an impressive range of content that is delivered to doctors entirely free. The service's 95,000 subscribers, physicians all, can use a database of 7m references in 3,700 journals. They can keep up with information on Aids using a separate news and information service; they can check descriptions of all drugs prescribed by the Food and Drug Administration and many from abroad; and they can use a free e-mail service, introduced last December, for referring patients to specialists.

POL also offers an unusual twist on the chat services that in other circumstances are usually the refuge of lonely nerds in basements. The service invites famous specialists to go online for an evening, communicating electronically with doctors from all over the country who want to quiz them about how to treat difficult cases.

Since POL's foundation, managed healthcare has emerged as a new area of the business. With doctors spread across the country in thousands of offices, managed care organisations face a daunting challenge in bringing discipline to their operations. To cut healthcare costs, they must persuade doctors to follow common approaches in treatment, to prevent rather than cure, and to use fewer brand-name drugs and more low-cost treatments.

Highly paid and educated as they tend to be, doctors resist being pushed around. POL's service has emerged as a powerful tool that allows healthcare organisations to manage their network of doctors and to get information to them reliably and quickly. Some have formed private intranets, encouraging the flow of information to, from and between doctors, so that they feel that the guidelines and rules they are increasingly being asked to follow are of their own making. These intranets can also have a side-effect: they make doctors feel more like members of a community and thus make care organisations that use them more attractive than their competitors.

This year, POL's growth seems to have accelerated. It now claims to be the seventh biggest online service in the US. It has nine pharmaceutical "sponsors" representing 21 product areas: by the end of 1996, 33 medical associations and societies and 13 managed care organisations will operate forums under its umbrella. And POL has just completed a new round of financing, adding AT&T Ventures and Advent International Corporation to its existing pool of venture-capital investors. It has also run up enough losses to make an Internet public offering the logical next step.

Where next? The possibilities are endless. Dr Zatz boasts that POL's first step into continuing medical education – allowing doctors to follow online courses at their own pace from their surgeries – attracted 1,000 takers in a single weekend. A new job agency is planned to bring increased efficiency to the medical employment market, which sees 40,000 doctors change jobs each year. POL could also become a market for buying medical supplies, with doctors picking up a bargain order of surgical gloves when they go online to check a prescription. The company may admit therapists, pharmacists and foreign doctors to its service as paying guests, reflecting their lesser value to advertisers.

Perhaps most interesting are POL's discussion groups, which have evolved into a medical version of technical support, where doctors offer each other peer-to-peer advice.

Taken together, these activities have given POL the makings of a very profitable niche business on the Internet. But the service is more than that: it could also help deliver better medical care, at lower cost, to millions of people all over the world.

tim.jackson@pobox.com

Online classifieds arrive in UK

By Raymond Snoddy

Rupert Murdoch's News International has joined the Press Association, the UK's national news agency, in an ambitious project to defend the £1.5bn ($2.2bn) a year newspaper classified advertising market from electronic rivals.

The two organisations announce today that they plan to launch Classified Link UK, an interactive online classified advertising service for UK newspapers, in the last quarter of this year.

Participating newspapers will be able to place all their classified advertising on a large central database at the PA's headquarters in London.

It should almost immediately become the largest UK classified advertising site on the Net.

Users looking for a job, a house or a car will use search words to consult a database. They will find relevant advertisements in an electronic trawl through the ads available from the subscribing newspapers. The pages pulled up will carry the name of the newspaper involved.

Each paper will be free to develop its own commercial policy on electronic classified – whether to charge extra for the electronic service or not.

Classified advertising largely determines newspapers' economic health, particularly among the regional press, and any serious leakage of classified revenue to new electronic rivals would be harmful.

PeopleBank, now controlled by Lord Rothermere's Associated Newspapers group, is already aiming at the recruitment advertising sector with an online service. The company encourages people to fill in a CV which is entered into the electronic database.

During the next five years, the growth of Net and online services are expected to create an important market for classified advertising. Richard Withey, director of new media at News International, believes newspapers are ideally placed to take advantage of such opportunities, as well as defend their existing business.

In the first year, newspapers will pay a founders' subscription. Subsequent charges will reflect the number of advertisements each newspaper has on the system. News International and the PA got together to develop Classified Link UK, a project that will cost £3m-£5m, as both were already active in electronic publishing and using the Net.

The Times went on the Net earlier this year. Last year The Times Higher Education Supplement became the first UK publication to put all its classified advertising on the Net, a decision that led to significant increases in circulation and advertising revenue.

Net telephony anxieties intensify

By Alan Cane and Tim Jackson

Encouraging the use of the Net for voice telephone calls would help drive down long-distance call charges across the board, a senior US regulator claimed last week.

Prof Joseph Farrell, chief economist at the Federal Communications Commission (FCC), the body which regulates US telecoms and broadcasting, told a London conference that there should be no restrictions on Net telephony. It would help to drive down the charges long-distance operators pay to connect into local networks, and so reduce the cost of long-distance calls.

He made it clear he was expressing a personal opinion. But his views will intensify one of the hottest controversies in the telecoms industry. Many believe the growth of Net telephony – by which users are able to call anywhere in the world for the price of a local call – may fundamentally reshape the economics of the telephone business.

Last month, America's Carriers Telecommunications Association, an organisation of 130 of the largest US long-distance operators, including MCI and Sprint, complained to the FCC that Net access providers are exempt from the charges they have to pay local phone companies for access to networks.

They petitioned the FCC to stop companies selling computer hardware and software that allow use of the Net for voice conversations.

Net telephony has improved greatly during the past few months. Prof Farrell makes the point that the access charges currently being paid are far higher than costs, and that it is inevitable that if the opportunity to bypass local access charges presents itself, people will take it.

"Rather than restricting Internet telephony," he said, "we should react to it as a driving force for access charge reform."

Cyber sightings

- The Cool Educational Site of the Week (*www.cyberstation.net/~may/surprise.htm*) is well worth a visit. Simply click on the ruby slippers in order to be taken to a different educational site, updated every Wednesday. This week's is an AT&T page all about microscopes.
- The US Association for Accounting Marketing has put up details of its conference next month in San Diego at *www.mailbog.com/users/aam*
- Likewise, information on the ninth session of the United Nations Conference on Trade and Development, which will be held in South Africa from April 27 to May 11, is at *http://gatekeeper.unicc.org/unctad/en/special/special.htm*
- The Productivity Works' (*www.prodworks.com*) pwWebSpeak technology gives the visually impaired access to Web-based information by means of a text-to-speech reading device. It is being field-tested by the Royal National Institute for the Blind. Information is available from Software Engineering (*www.software-engineering.ch*), the Swiss company helping to distribute the product in the EU.
- The Merlin Falcon MBA Guide (*www.merlinfalcon.co.uk/mba.htm*) is an excellent, searchable guide to MBA programmes by country, and has helpful background information for students and prospective students.
- Internet Holiday Rentals (*www.holiday-rentals.co.uk*) will prove useful for planning a summer break. Covering Britain, Europe and further afield, it has pictures of the properties available and details of the accommodation on offer. To advertise a property costs £30 for three months, with a set-up fee. Worth a look.
- Details of the 1996 National Information Infrastructure Awards can be obtained at *www.gii-awards.com*
- Market research agency SGA (*www.sga.co.uk*) has put up a useful site with details of its survey of research buyers, good links pages for market researchers, a monthly "brainteaser", and a nice online job-costing feature.
- If your director of human resources says: "Hey, wouldn't it be cool to have a work song to improve bonding?", just point him or her to the Samsung Team Song site (*www.samsung.com/overview/stsong.html*) and download the "Crazy Version-Korean". That should teach them . . .

steve.mcgookin@ft.com

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh
0030	8.84	9.16	9.16
0100	8.84	13.80	15.87
0130–2030	[illegible]	[illegible]	[illegible]
2100	35.22	18.95	19.68
2130	35.22	18.49	19.15
2200	35.22	18.49	19.15
2230	19.36	9.20	9.20
2300	17.27	9.18	9.18
2330	9.03	9.16	9.16
2400	14.39	9.16	9.16

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh
0030	8.97	9.18	9.18
0100	8.90	12.97	14.62
0130–2030	[illegible]	[illegible]	[illegible]
2100	40.84	22.38	24.23
2130	40.84	21.81	23.53
2200	40.84	17.87	19.33
2230	19.33	14.17	15.62
2300	17.68	14.17	15.62
2330	17.88	12.68	13.68
2400	13.36	9.16	9.19

©Energy Settlements and Information Services Limited

LEGAL NOTICES

THE INSOLVENCY ACT 1986
N M SMALLER AUSTRALIAN COMPANIES TRUST PLC
(IN MEMBERS' VOLUNTARY LIQUIDATION)

I GRAHAM RITCHIE OF Ernst & Young, Ten George Street, Edinburgh EH2 2DZ hereby give notice that on 11 April 1996 John Charles Jeffrey Readman and I were appointed joint liquidators of the above named company.

Notice is hereby given that the creditors of the above company are required, on or before 31 May 1996 to send in their full names and addresses and full particulars of their debts or claims to me and, if so required by notice in writing from me, are, personally or by their solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

Dated 11 April 1996

Graham Ritchie
Joint Liquidator

N.B. All known creditors have been or will be paid in full, but if any persons consider they have claims against the company they should send in full details forthwith.

Chubb Capital Corporation

6% Guaranteed Exchangeable Subordinated Notes due 1998 (the "Notes")

NOTICE IS HEREBY GIVEN that, following a two for one stock split approved by the Board of Directors of The Chubb Corporation on March 1, 1996, the Exchange Rate applicable to the Notes will be amended in accordance with the terms and conditions of the notes.

From April 20, 1996 the Exchange Rate will be adjusted from 11.628 shares of Common Stock per $1,000 principal amount of Notes to 23.256 shares of Common Stock per $1,000 principal amount of Notes.

Chubb Capital Corporation
By: Morgan Guaranty Trust Company of New York as Fiscal Agent
Dated: April 19, 1996

هكذا من الأصل

To Antarctica on a 50ft surfboard

Weight is the chief handicap in the Vendée Globe race, writes **Keith Wheatley**

Pete Goss has sawn his toothbrush in half. "It still works but weighs 50 per cent less," he laughs. His entire stock of protective and personal clothing for a 100-day solo yacht race around the world, including sunglasses, weighs approximately the same as the average executive suitcase at London's Heathrow airport, its owner off for three days in Frankfurt.

Having sold virtually everything bar his three children (the family house went last week) to create probably the most innovative racing yacht ever built in Europe, Goss is in no doubt that weight is the enemy. When the 5.5 tonne, 50ft *Aqua Quorum* is launched next week, the bare hull will float in just 11in of water. It has the length and breadth of an articulated truck.

Goss and his designer Adrian Thompson have taken to the limit the dictum of the late Uffa Fox that the only valid place for heavy displacement is in a steamroller.

"The whole theory is to keep it brutally simple. When we consider a particular item, we just ask if it makes the boat go faster. If not, the answer is clear," explains Goss, a quietly spoken former Royal Marine.

He already has one circumnavigation under his belt, as one of 10 skippers in the 1992-93 British Steel Challenge, sailing *Hofbrau Lager*. However, the Vendée Globe race, starting from Les Sables d'Olonne on the Atlantic coast of France on November 3 and described as the world's premier single-handed non-stop round-the-globe race, is a very different competition.

The boats have only one design restriction – a length of between 50ft and 60ft – and entrants must sail them alone, without outside assistance, around the world, leaving the great Capes to port. In practice, this means a dash down through the north then south Atlantics, a trip around Antarctica, and then back to France. Two-thirds of the race are in the Southern Ocean, a domain of bitterly cold huge seas and constant shrieking gales beneath endless grey skies.

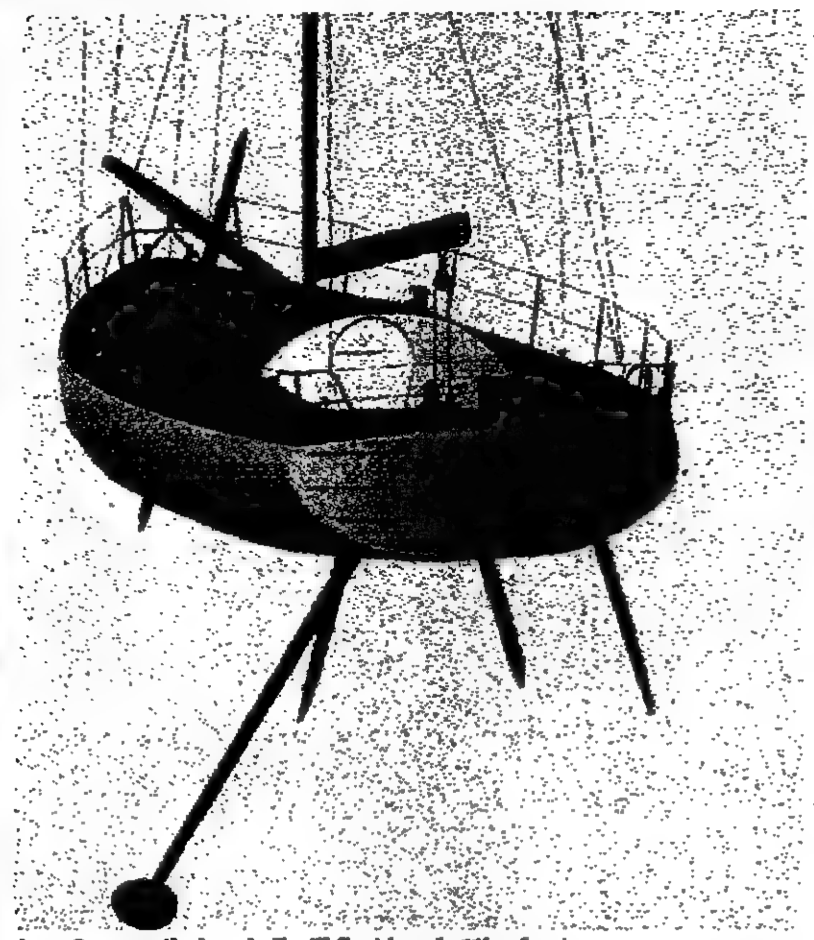
It was there, three years ago, that the current project took root. Goss's heavy, traditional steel yacht was in danger of being dismasted and had to run downwind ahead of a storm.

"I was working waist-deep in water to try and save the mast when the boat paused at the top of a wave," he recalls. "It was like looking down the face of a ski-run. *Hofbrau* weighed 42 tonnes, had no sails up and was still screaming along trailing heavy warps. I promised myself: 'I'm coming back here, on a 50ft surfboard'."

What makes the current "surfboard" possible is a combination of retractable dagger-boards, just like those on a dinghy, and a revolutionary swinging keel. A lead bulb weighing 2.5 tonnes is suspended at the end of a steel pendulum. Inside the yacht two massive hydraulic rams can push the keel out towards the windward side and keep *Aqua Quorum* upright (and hence sailing faster) far more efficiently than a conventional fixed fin.

No one doubts the theory. Yet the only yacht so far built on these lines foundered 1,000 miles south of Tasmania and left French solo yachtswoman Isabel Autissier sitting on the sinking hull and praying for a miracle. It arrived in the form of the Australian air force operating at the uttermost limits of its range.

Former Royal Marine: Pete Goss



Aqua Quorum: the bare hull will float in only 11in of water

No one doubted Autissier was breathtakingly lucky. Doesn't the precedent frighten Goss just a little? "What happened to Isabel was nothing to do with a keel failure," he insists. "As far as I can gather it worked perfectly. Everything that went wrong was above deck and stemmed from the dismasting."

The Vendée Globe has a ferocious and well deserved reputation as the toughest and most dangerous single-handed event in any sport. One competitor in the last race bit his tongue in half and had to stitch the severed portion back with the aid only of a shaving mirror and guidance from a surgeon on the high-frequency radio from Paris.

Welsh skipper Alan Wynn Thomas sailed the Southern Ocean with six broken ribs and a collapsed lung and was told by doctors as he limped into Hobart after abandoning the race that he should not have survived.

"I'm not a hero, but I am a professional sailor. It's what I've done for nearly 10 years now so I've put enormous effort into creating a boat that will look after my safety and comfort," says Goss, who was responsible for training each of the 130 amateur sailors who raced around the world in the British Steel race – an event that many "professionals" initially scoffed at. "For instance," he says, "the boat will virtually sail herself without an autopilot; we have carefully designed the living accommodation to reduce the risks of being thrown across the cabin; and I am going on a tailor-made paramedic course."

Many people who know Goss come to find him an inspirational figure. He is emphatic yet self-effacing, determined to convince others that they can do extraordinary things. The boat builders currently racing the clock to finish *Aqua Quorum* were convinced at the outset that there was neither the time nor money to finish the yacht. Their skipper proved them wrong. Strangers have written offering to lick stamps or knock on doors in search of sponsorship.

At the blackest hour, £50,000 came from the Foundation for Sport and the Arts to enable the hull to be finished. Out of the blue, comedy actress Joanna Lumley, a "friend of a friend of a friend", wrote offering to christen the yacht, thus guaranteeing media coverage.

In the store next to the building shed sit 2,500kg of lead for the keel, all donated by local people after a radio appeal: fishing weights, organ weights from a nearby church, old bathroom fittings. It has saved the project thousands of pounds. "This whole thing survives on the goodwill of people who are prepared to offer something of themselves," says Goss. "That is the magic of it for me. It is no ego trip. Strange as it may seem, single-handed sailing is a team sport."

Crazed dream of a phoenix from ashes of a razed library

The proposed Technopolis would disfigure the heart of Norwich, writes **Colin Amery**

Have the city of Norwich and the county of Norfolk gone completely mad? The scent of the Millennium Commission's lottery loot appears to have undermined the sanity of the local authorities of East Anglia.

An amazing document is circulating in the villages and the flat rural fastness of Norfolk – one that presumes to convince people that their county is about to become the throbbing heart of the information technological revolution, UK branch. On the front of the glossy brochure is a colour photograph of rays of light breaking through some East Anglian clouds. "It's a Virtual Reality," it screams, "Technopolis – the future is in your hands."

What is Technopolis? And exactly where is this City of Oz which no one has visited and in which reality is only virtual? It is planned to be in the centre of the city of Norwich, and will rise from the ashes of the old city library that burned to the ground on August 1 1994. Here is a classic case of megalomania and hyperbole generated by the prospect of lottery money.

The description put out by the county speaks for itself. Between photographs of the Norwich skyline as seen from the cockpit of a Jumbo jet and of naked babies accessing computers are the words: "It is difficult to put the wonders of the Past and Future City into words. It will be much more than a museum, it will be a place to experience the past."

There is more. "In today's business world, keeping up with all of the innovations in information technology takes time and money . . . How many times have you invested in something only to discover that an updated refinement which you need to have has appeared?" Digital City inside Technopolis, evidently, is going to give us all the answers.

Nor does Norwich's future come cheap. Technopolis will cost at least £79m. The county has earmarked £8m towards it and, if its application to the Millennium Commission is successful, some £38m may come from that source.

It is one of the most curious and mildly crazy bids around and is the brainchild of Brian Smith – the city planner for Norwich – and his county counterpart. They drummed up a bit of local support but were asked by the commissioners of the Millennium Fund to demonstrate the support of the county's population.

That has not been achieved, despite the expenditure of some £800,000 in an elaborate promotion drive by the city and the county. No one could have called the promotion a consultation exercise. Free roundabout rides were offered to children as their mothers struggled to sign forms handed out to encourage support. And the forms have no space for objections to the scheme. Only one possibility was indicated on the polling paper.

Four firms were short listed to design Technopolis in the architectural competition. The minimalist firm Pawson Williams competed against Sir Michael Hopkins, Building Design Partnership and the GMW Partnership. It was recently announced that the winner was Sir Michael Hopkins.

His scheme is still very much an outline, but it is interesting that he has already expressed reservations about the inclusion of a 400-space multi-storey car park, which will encourage cars to enter a city which simply cannot cope with them.

Only 30 per cent of the five-acre site is for Technopolis. The other 70 per cent is for entertainment, commercial and car parking uses.

It is a marvellous site at the centre of the city with magnificent views of the great civic church of St Peter Mancroft, the Guildhall and the Market Place. But this scheme overbuilds on the site and by attracting yet more tourists will play a part in the destruction of the city's heart.

The chief folly of this project is its naive belief that information technology needs a mega-centre in the heart of Norwich. We have all noticed that everything in the overrated world of personal computing and information technology is getting smaller and smaller. The real future lies in miniaturisation for the individual. The future lies not in Technopolis but in home-based and pocket facilities. There is no need for this giant computer in Norwich's centre.

There is a wonderful invention that fits into your pocket, and which can be looked at anywhere, even when you are travelling. It needs no electricity, no batteries and no moving parts. It is called a book. If you acquire a lot of books you need a beautiful fireproof library and a few simple links to other libraries to give you all the information you need.

Norwich and Norfolk could lead the way by dropping their megalomaniac scheme, which is simply a Pavlovian response to the possibilities held out by the Millennium Fund, and concentrate instead on the careful renewal of that fine city and the safeguarding of the quiet beauties of the county. Technopolis is so far removed from reality as to be virtually out of sight.

THE WEEK AHEAD

UK COMPANIES

TODAY
COMPANY MEETINGS:
Dentale (B), 50, Stratton Street, W., 10.00
Lowe (Robert H), 28, Gresham Street, E.C., 12.00
M & G Inc Inv Tst, 3, Minster Court, Great Tower Street, E.C., 11.00
Moorfield Estates, The Registry, Royal Mint Court, E.C., 11.00
Murray Int Tst, Grocers Hall, Princes Street, E.C., 11.15
Rexmore, Regent House, Rexmore Way, Liverpool, 10.00
Smaller Co's Inv Tst, 99, Charterhouse Street, E.C., 12.30
BOARD MEETINGS:
Finals:
[illegible] Mining
Crean (James)
EIS
Eurotunnel
Farnell Elec
Geared Inc Inv
Kleinwort Endowment Policy
London & Assoc Properties
Reed Executive
Ronson
Interims:
Assoc British Foods
Cash Converters Int
Govett Strategic Inv Tst
Kleinwort Second Endowment Policy
Lowland Inv

TOMORROW
COMPANY MEETINGS:
American Tst, Donaldson House, 97, Haymarket Terrace, Edinburgh, 12.15
Assoc British Ports, Ironmongers Hall, Shaftesbury Place, Barbican, E.C., 12.00
Delta, Waldorf Hotel, Aldwych, W.C., 12.00
Dunedin Inc Growth Inv Tst, 25, Ravelston Terrace, Edinburgh, 10.00
Finsbury Smaller Co's Tst, Wax Chandlers Hall, Gresham Street, E.C., 12.00
Inveresk, Queensferry Lodge Hotel, North Queensferry, Fife, 9.30
JIB, 25, Copthall Avenue, E.C., 12.15
Kleinwort Overseas Inv Tst, 10, Fenchurch Street, E.C., 12.30
Lasmo, Plaisterers Hall, 1, London Wall, E.C., 11.30
Law Debenture, Drapers Hall, Throgmorton Avenue, E.C., 10.30
Leslie Wise, 33, Great Portland Street, W., 11.00
[illegible] Int, 119, London Wall, E.C., 12.00
National Westminster Bank, Gibson Hall, 15, Bishopsgate, E.C., 11.00
Pacific Assets Tst, 1, Charlotte Square, Edinburgh, 12.30
SmithKline Beecham, Queen Elizabeth II Conference Centre, Broad Sanctuary, S.W., 2.00
Stordata Solutions, Village Hotel Warrington, Centre Park, Warrington, 12.00
Transatlantic Hldgs, 40, Broadway, S.W., 12.00
BOARD MEETINGS:
Finals:
Broadstone
Hughes (TJ)
Huntleigh Technology
[illegible]
REA Hldgs
Retail
[illegible]
[illegible]
Interims:
[illegible]
Dickie (James)
McCarthy & Stone
Mercury Keystone Inv Tst
St. Ives

WEDNESDAY APRIL 24
COMPANY MEETINGS:
Anglo & Overseas Tst, 23, Great Winchester Street, E.C., 11.30
Booth Inds, Dennis House, Marsden Street, Manchester, 11.30
Cape, Founders Hall, 1, Cloth Fair, E.C., 12.00
English China Clays, Insurance Hall, 20, Aldermanbury, E.C., 2.30
Life Sciences, Waldorf Hotel, Aldwych, W.C., 2.00
Mayflower, Dukes Hotel, St. James's Place, S.W., 10.00
Mercury Grosvenor Tst, 33, King William Street, E.C., 12.00
Mollns, Painters Hall, 9, Little Trinity Lane, E.C., 12.15
Oliver, Grove Way, Castle Acres, Narborough, Leicester, 12.00
Provident Financial, Norfolk Gardens Hotel, Hall Ings, Bradford, 12.00
Smith & Nephew, Queen Elizabeth II Conference Centre, Broad Sanctuary, S.W., 11.00
Spirax-Sarco, Queens Hotel, Cheltenham, 3.00
TR High Inc Tst, 3, Finsbury Avenue, E.C., 12.30
Trinity Int, Stationers Hall, Ave Maria Lane, E.C., 12.00
BOARD MEETINGS:
Finals:
Bank of Scotland
[illegible]
Dencora
Essex Furniture
Henderson Highland Tst
English National Inv
JJB Sports
S & U

THURSDAY APRIL 25
COMPANY MEETINGS:
BAT Inds, Queen Elizabeth II Conference Centre, Broad Sanctuary, S.W., 11.30
Edinburgh Oil & Gas, 10, Coates Crescent, Edinburgh, 12.00
Gaskell, Walton House, Syke Side Drive, Altham, Lancs., 11.30
Hall Eng, Telford Moat House, Forgegate, Telford, 10.30
Malvern UK Index Tst, Hobart House, Grosvenor Place, S.W., 12.00
Manders, Molineux Stadium, Waterloo Road, Wolverhampton, 12.00
Medeva, Royal Society of Medicine, 1, Wimpole Street, W., 10.30
Mirror Grp, Cabot Hall, Canary Wharf, E., 11.30
Osprey Comms, Osprey House, 10, Little Portland Street, W., 10.00
Tallent, West Lodge Park, Cockfosters Road, Hadley Wood, Herts., 12.30
Travis Perkins, Lords Banqueting Suite, St Johns Wood Road, N.W., 12.00
Union, Glaziers Hall, 9, Montague Close, London Bridge, S.E., 11.00
Vickers, London Marriott Hotel, Grosvenor Square, W., 12.00
BOARD MEETINGS:
Finals:
Austin Reed
David Brown
[illegible]
Folkes
Int Energy
Langdons Foods
Linton Park
North Atlantic Smaller Co's Inv Tst
Ramco Energy
Rhino
Scottish Mortgage & Tst
Interims:
DFS Furniture
Ferraris

FRIDAY APRIL 26
COMPANY MEETINGS:
Baillie Gifford Shin Nippon, 1, Rutland Court, Edinburgh, 12.30
Bensons Crisps, Ribby Hall Restaurant, Ribby Hall leisure Village, Wrea Green, Preston, 12.00
Biotrace Int, Science Park, Bridgend, Mid Glamorgan, 10.30
Braime (TF & JH), Hunslet Road, Leeds, 11.15
Brent Int, Ridgeway, Iver, Bucks., 10.30
Foreign & Colonial Inv Tst, The Brewery, Chiswell Street, E.C., 12.00
Hillsdown, Regents Park Marriott Hotel, 128, King Henrys Road, N.W., 2.00
ICI, Queen Elizabeth II Conference Centre, Broad Sanctuary, S.W., 11.00
Johnston Press, 53, Manor Place, Edinburgh, 11.00
Low & Bonar, Bonar House, Faraday Street, Dundee, 12.00
Mansfield (John), Shepperton Studio Centre, Studios Road, Shepperton, Middx., 12.00
Tepnel Life Sciences, Toft Hall, Knutsford, Cheshire, 12.00
Wilson (Connolly), Northampton Moat House, Northampton, 12.00
BOARD MEETINGS:
Finals:
Abtrust European Index Inv Tst
Abtrust New Thai Inv Tst
Anagen
Biocompatibles Int
Holt (Joseph)
Radiotrust
Interims:
Alida
Majedie Inv
Wigmore Property Inv Tst

Company meetings are annual general meetings unless otherwise stated.

Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.

DIVIDEND & INTEREST PAYMENTS

TODAY
Abbey National Treasury 10⅝% Gtd Nts 1997 £1050.0
American Home Products 8.61% Gtd Bd 2007 $240.29
Asda 10⅞% Bd 2010 £1087.50
Asda Fin 10⅝% Cv Cap Bd 2003 [illegible]
Birmingham Midshires Bldg Scty FRN 1998 £188.64
Chase Manhattan Sb Fltg Rate Nts 2003 [illegible]
[illegible] Fin Gtd FRN 1997 [illegible]
Fleming American Inv Tst 2.1p
Halifax Bldg Scty 10⅛% Sb Bd 1998 £525.0
Hankyu Dept Stores 5% Nts 1999 Y300000.0
Herald Investment Tst 0.65p
Hydro-Quebec 9% Db Ser GB Apr 1997 [illegible]
Latin American Extra Yld Fd $0.15
Lazard Select Inv Tst Ptg Rd Pf Japan Index Fd 1p
Do UK Active Fd 21p
Do UK Index Fd 22p
Do UK Liquid Assets [illegible]
Do US Index Fd 7p
[illegible] 1.5p
Mersey Docks & Harbour [illegible]
Mitsubishi Elec 3.2% Bd 2000 Y320000.0
Mitsubishi Warehouse & Transportation [illegible] Bd 1997 Y625000.0
Northern Rock Bldg Scty FRN 1998 £160.08
Platinum Int Fin Tranche A FRN 2001 [illegible]
Do Tranche B [illegible]
Pochins 0.75p
Relyon 5.3p
Renishaw 2.85p
RTZ 13p
Sanwa Australia Fin Gtd Fxd/FRN 2005 [illegible]
Texas Instruments $0.17
Tohoku Elec Power 7¾% Bd 1997 [illegible]
TR Pacific Inv Tst 0.175p
Yokohama Fin Cayman Gtd Sb Fxd/FRN 2005 $3082.60
Do Gtd Sb FRN 2005 [illegible]
Canon FRN 1998 [illegible]
Commonwealth Bank of Australia Gtd Und Cap Nts [illegible]
Finsbury Smaller Co's Tst 2.2p
Itochu FRN 1997 [illegible]
Leslie Wise 2.5p
Marubeni Int Fin [illegible] Ser B Bd 1997 [illegible]
Polypipe 0.85p
Smaller Co's Inv Tst 1.7p
Tokyo Tatemono 7¼% Bd 2001 Y725000.0
Do 7.4% Bd 1998 Y740000.0
YTB Fin (Aruba) Gtd Sb FRN 2005 $1541.94

TOMORROW
EBL Int Gtd FRN 1999 [illegible]

WEDNESDAY APRIL 24
American Tst 3.7p
Bryant 1.45p
Landeskreditbank Baden-Wuerttemberg 10⅜% Sts 1998 [illegible]
Nat West Bank Und Var Rate Nts [illegible]
Citibank Var Rate Sb Nts 2000 [illegible]
Platinum Int Fin Tranche A FRN 2002 [illegible]
Do Tranche B [illegible]
Potgietersrust Platinum R0.35
Rustenburg Platinum R0.75
Yokohama Fin Cayman Gtd Sb Fxd/FRN 2005 [illegible]

THURSDAY APRIL 25
Abbey National Treasury [illegible] Gtd Nts 1998 [illegible]
AIB Offshore Fd Ptg Rd Pf [illegible]
Do (Int Equity Mngd) [illegible]
Do (Stg Cash) 5.05p
Do (Stg Int Equity Mngd) 2.57p
Do (UK Equity) 1.23p
Asda 9½% Bd 2002 [illegible]
Assoc British Foods 3.6p
CPC Int [illegible]
Conversion 9½% 2004 £4.75
Domnick Hunter 2.8p
Go-Ahead 1.65p
Gus Carter 1p
Haggas (John) 1.5p
ICI 18.5p
London Forfaiting 6.4p
Manchester (City of) 11½% rd 2007 £5.75
Mercury Grosvenor Tst 7½% Cv Un Ln 1999 [illegible]
M & G Inc Inv Tst 2.15p
Do Geared Units 2.15p
Do Package Units 2.15p
Molex $0.015
Do A $0.015
Morgan Sindall 1.65p
Nat West Bank Gtd FRN 2005 $301.82
Scottish & Newcastle 9¼% Bd 2008 [illegible]
Spinaab FRN 1998 $14.05
Woolwich Bldg Scty FRN 1998 [illegible]

FRIDAY APRIL 26
Abbey National Treasury 6¼% Gtd Nts 1998 Ecu62.50
Alliance Tst 37p
Do 4% Cm Pf £1.40
Do 4½% Cm Pf £1.4875
Do 5% Cm Pf £1.75
Australia (Commonwealth of) 11¾% Ln 2015 [illegible]
Baldwin 2.5p
Bank of Nova Scotia C$0.31
Bayer DM15.0
Capital Corp 6p
Conister Tst 1.6p
Co-operative Bank Sb FRN 2000 [illegible]
Dunedin Inc Growth Inv Tst 18.4p
Edinburgh Oil & Gas 0.25p
Fleming Fledgling Inv Tst 2p
French Property Tst 1.4p
Frogmore Estates 4.1p
Games Workshop 2p
Golden Hope Plantations [illegible]
Hall Eng 6.23p
Italy (Rep of) Global FRN Jul 1999 $14.06
Do Global FRN Jul 1999 [illegible]
Kymmene FM6.20
[illegible] 2.7p
Lloyds Bank Ser A Var Rate Sb Nts 1998 £151.92
Logica 3p
Lorien 3.8p
MAI 4p
Malvern UK Index Tst 2.9p
Maunders (J) 2.45p
My Kinda Town 1p
News Corp A$0.018
Do Pf Ltd/Vtg A$0.0375
News Int 1.65p
Padang Senang 4.5p
Repola FM4.50
Roxboro 4p
Sedgwick 4.375p
Sherwood Computer 2.3p
Specialeyes 0.75p
State Bank of New South Wales 10⅜% Sb Nts 1999 $1307.50
Stora B Free SKr3.75
Sumitomo Metal 6.3% Bd 2000 Y630000.0
Takare 1.7p
Union 1.5p
Utd News & Media 15.25p
Walker (Thomas) 0.18p
Watmoughs 7p
Wood (Arthur) 6.5p
Zotefoams 3.5p

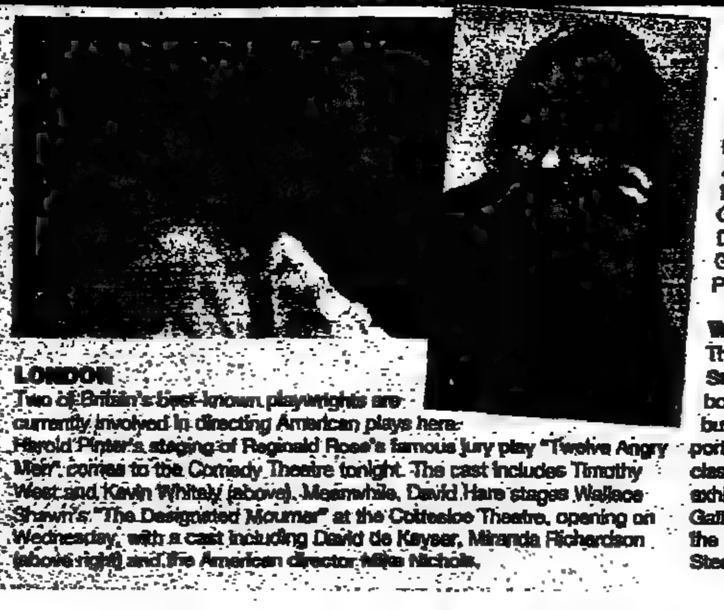
SATURDAY APRIL 27
Brent Int 1.4p
Exchequer 15% 1997 £7.50
Kleinwort O'seas Investment Trust 1.65p
Treasury 4⅝% IL 1998 [illegible]

SUNDAY APRIL 28
Cheltenham & Gloucester 11¾% Perp Sb Bd [illegible]

ARTS

OPENINGS

BADEN-BADEN
The South West German Radio Orchestra was founded immediately after the Second World War with a specific commitment to new music. As part of its 50th anniversary celebrations, the orchestra gives a concert in Baden-Baden on Wednesday and makes its first visit to London on Saturday, followed by a German tour. The programme includes Brahms's Violin Concerto, played by Christian Tetzlaff, and the conductor is Michael Gielen (left).



LONDON
Two of Britain's best-known playwrights are currently involved in directing American plays here: Harold Pinter's staging of Reginald Rose's famous jury play "Twelve Angry Men" comes to the Comedy Theatre tonight. The cast includes Timothy West and Kevin Whitely (above). Meanwhile, David Hare stages Wallace Shawn's "The Designated Mourner" at the Cottesloe Theatre, opening on Wednesday, with a cast including David de Keyser, Miranda Richardson (above right) and the American director Mike Nichols.

STRATFORD-UPON-AVON
The Royal Shakespeare Company launches its new Stratford season this week. Steven Pimlott directs "As You Like It" with a cast led by Niamh Cusack, Arthur Cox, Joseph Fiennes, and Victoria Hamilton, opening on Thursday ; Gale Edwards directs "The White Devil", with a cast led by Jane Gurnett, Caroline Blakiston, and Philip Quast, opening on Friday.

WASHINGTON
The 17th century Dutch artist Jan Steen is best known for his boisterous low-life genre scenes, but he also painted sensitive portraits, refined images of upper-class life and religious scenes. An exhibition opening at the National Gallery of Art on Sunday will examine the wide range of subject and style in Steen's work.

NEW YORK
Picasso's work contains a large number of pictures inspired by particular people, but until now there has never been an exhibition devoted to his portraits. The Museum of Modern Art's "Picasso and Portraiture" opens on Sunday; a smaller version will be shown in Paris in the autumn.

BASLE
Paul Sacher, the Swiss musician and patron of the arts, celebrates his 90th birthday on Sunday, and his native city is marking the occasion in style. At the Stadtcasino on Saturday, Pierre Boulez will conduct the Ensemble InterContemporain in new works by Birtwistle, Berio, Boulez and Elliott Carter. This and other musical tributes are linked to an exhibition at the Kunstmuseum entitled "Classicist Modernism", featuring paintings by Picasso, Matisse, Dali, Mondrian, Klee and many others. It opens on Saturday and runs till mid-August.

Low budget films with a sense of adventure

Nigel Andrews talks to three directors called Todd about the prerogatives and preoccupations of independent American cinema

It happens – metaphorically at least – every year at every film festival. A well-known "unofficial" shipload of celluloid docks next to the official one, causing a sudden scramble of diverted interest. "The American independents have arrived!" shout critics on the quayside. And soon they are marking their diaries for all the vibrant low-budget films from Poughkeepsie or Peoria, from NYU or UCLA.

Two great truths govern American independent cinema. One: no other country comes near it in range, daring and talent. (Many names now deemed household began in the "U.S. Indies" section at Cannes, Berlin or elsewhere, from Lynch to the Coen brothers.) Two: every young director today seems, by kismet or coincidence, to be called Todd.

With Todd Haynes's *Safe* opening this week – the newest film from the director of the baroquely unnerving *Poison*, arguably the best independent film of the early 1990s – what better time to buttonhole him, along with two other freshly acclaimed Todds met at the recent Berlin Film Festival.

Todd Solondz made *Welcome To The Dollhouse*, which took the Sundance Festival Grand Jury Prize for its wondrously off-kilter tale of a plain schoolgirl's coming of age. (It opens in Britain later this year.) And Todd Verow made *Frisk*, which caused much gasping in the aisles at Berlin with its graphic portrait of a group of gay sex-killers.

In their different ways, these directors cast a fascinating light on five important aspects that pinpoint the special prerogatives or preoccupations of independent cinema.

A for AMBIGUITY. Away from the mainstream, complexity can thrive and messages need not be spelled out for the hard-of-thinking. Haynes's *Safe* is the low-key but sumptuously shot tale of a Beverly Hills housewife (Julianne Moore) succumbing to the multi-allergic horrors of "20th century illness." Mild coughing fits progress to faintings, oxygen cylinders and a visit to a macabre psychological health clinic.

But is the movie really – or only – about illness? Or is it also about the heroine's larger ennui as she navigates a moribund marriage, a clucking circle of friends and a city of smog, health salads and jogging?

"The film doesn't tell you what to think or how to interpret," Haynes says. "In many ways it follows the TV movie disease-of-the-week format. But unlike a mass-audience film it undermines the idea of the heroine's supposed victory at the end by trying to raise larger questions about society and our need to have answers to every malaise."

But neither that deeper meaning, says Haynes, nor the film's glacially elegant style are intended to deter an emotional response. "The look is inspired partly by Kubrick's *2001*, where nature and human mess have long vanished from the planet, something you often feel in Los Angeles! But that isn't meant to distance the audience. The very act of identification the spectator goes through, sitting in a cinema where stories are coming to life, is part of what made me want to make films rather than paint or write or operate in arguably more 'elitist' media."

Todd Solondz's *Welcome To The Dollhouse* also aims to pull the audience in emotionally, while refusing to bribe it with facile answers or denouements. The gawky, thick-spectacled heroine is shunned by every schoolmate save the class bully, who homes in on her with braggardly threats of 'rape'. But nothing goes to Hollywood plan. The bully turns out to be a disoriented loner just like her. And the girl never does take off those specs Hollywood-style.

"The girl's not a victim, that wouldn't interest me," says Solondz. "The idea of the film is that the persecutor and persecuted reside inside each of us. The bully's just as much an outcast as she. So there's a bond, and there's something quite beautiful in their first kiss which was actually the *actress's* first kiss.

"All of us adults are guilty of devaluing kids and that's reflected in Hollywood movies. There's a complexity and richness in their lives that we're often lazy about recognising."

Todd Verow's *Frisk* is even bolder in defying routine expectation. The film's episodes of sex and premeditated violence, drawn from a Dennis Cooper novel, are presented without any "judgment" at all, let alone explicit condemnation.

"The book ends with the narrator saying, 'Oh I made all this up, it's not true'. I changed that, I wanted the ending to be more ambiguous. I wanted people to relate to it as a possible reality, not a fantasy; that's a Hollywood escape route. There's a dark side to all of us. We all drive by car crashes and want to look. A lot of people who are in denial of that don't like the film."

B for BUDGET. The mathematics are awesome. One *Waterworld* would buy two hundred *Safes* and two thousand *Frisks*. Even at this budget level, independent films can be difficult to finance.

Haynes: "*Safe* cost just under a million dollars, some of that from Britain's Channel Four. Because of the difficult subject, it was hard to finance and very hard to achieve the 'look' we wanted on the money. My next project *Glitter Rock*, based on the British music scene of the 1970s, has been much easier. The subject – David Bowie and Gary Glitter, dressing up and 'constructing' images – relaxes investors." So, surprisingly, did Haynes' Genet-derived *Poison*, whose gay main story appealed to the National Endowment for the Arts at a time of gathering Aids consciousness.

Solondz: "My career started with one of those 'only in Hollywood' stories. A couple of studios, Fox and Columbia, saw my student films and gave me a three-picture deal each. But I had a bad experience" – refusing to specify – "and walked out on them. Then later some lawyer friends who wanted to invest in film persuaded me to dig out an old script. That became *Dollhouse*.

"The budget was under a million and that caused all the compromises. At this level you shoot for the stars but are lucky if you get five per cent. Of the 15 locations you plan, you can have three. I wanted the girl singing at Disneyland in the last scene – it was my downbeat ending! – but we couldn't afford it so we put her on a bus *going* to Disneyland."

Verow: "The budget was under $100,000. We got a free camera package, half-price film and no one on the production got paid."

C for COMRADESHIP. Do America's independent directors constitute a 'movement' or movie community?

Solondz: "I've read about this society of independent film-makers, but I've never been invited to it or its parties. It's not like, Ah we all hang out at this café! The main time you meet other directors is here at festivals. But I wouldn't even have done that if my film hadn't been successful."

Verow: "If you work in the same subculture there's sometimes a sense of community. Several of the people involved in *Frisk* came from other gay movies. But at the same time I wanted to broaden the film by bringing in women characters; I didn't want it dismissed as the story of a self-enclosed clique."

Haynes: "The last thing we want is a movement. It's one of the ideas behind *Safe*, that we all have this need to feel that people accept us and we belong to some larger creed or culture. Illness reveals to my main character how cut off she is in L.A., but when she gets a new identity and home – the clinic – the terms don't really differ from those she left behind. That chaotic painful isolation we feel as people, or artists, is something that can have a value but society doesn't know how to deal with it."

D for DESTINATIONS. Axiom: every American film-maker wants to end up in Hollywood.

Solondz: "If anyone has a degree of success, it's only natural they will knock on your door. I've had offers, but I don't know what I'll do. I think I still have those two three-picture deals with Fox and Columbia!"

Haynes: "First you get agents calling. It started when *Poison* won the Grand Prize at Sundance. But I never felt an agent was what I needed. I actually have a lawyer who 'agents' for me and other independents like Richard Linklater (of *Before Sunrise*). But you can also be be approached by a star. After *Safe* Jennifer Jason Leigh wanted me to do a $6m movie with her and I liked the script. But it fell through when reviews for her new film (*Georgia*) complained she was always playing the same role!

"The line is getting blurred anyway between mainstream and independent. With government cutbacks there's much less grant-funding now, so most film-makers have to go to commercial investors."

Verow: "Am I going to Hollywood? No, I'm going to Bangor, Maine. My next film is based on a real incident in which a gay guy was killed by five teenagers. He was beaten up and thrown off a bridge. The film is about what it's like to grow up in a town like that." As Verow did. He was at school with those five teenagers.

Z for 'ZZZZZ'. Impossible in a good independent movie: the promise or threat of innovation is a constant wake-up stimulus. For Todd Haynes one duty of the independent film-maker is to carry that sense of adventure and new ideas into mainstream cinema. "I never saw myself as just an experimental director. My ambition was always to enter the dominant heart of film-making, which is narrative films, and once there to question and re-inflect and surprise. Movies have a unique power to affect people. It should be used to awaken new ideas not just reinforce old ones."

Multi-allergic horrors of 20th-century illness: Julianne Moore in Todd Hayne's 'Safe'

Concert

Muti in buoyant form

The Philharmonia Orchestra, which currently lacks music director and a principal conductor, is fielding some 15 conductors this season. This is very different from the days when a single maestro ruled his orchestra with a baton of iron.

However, a glimpse of these times could be caught when Riccardo Muti returned to the Festival Hall on Thursday to conduct his old orchestra in a programme of Haydn and Cherubini.

By modern standards Muti's 11 years as the Philharmonia's principal conductor and music director seem positively protracted. His predecessor Otto Klemperer held sway for 14 years, his successor Giuseppe Sinopoli lasted ten. Each made their own distinctive, if sometimes erratic, mark on the orchestra, an achievement hardly possible in our age of one-off engagements.

Even so, Muti and the Philharmonia are still a formidable team, and fears that his association with the Philadelphia Orchestra may have inured him to subtlety of effect or that his work at La Scala may have weakened his grip on musical structure proved unfounded.

Muti has little time for authenticity, it would seem. In Haydn's Symphony No.48 ("Maria Theresa") he sported a fullish orchestra and favoured a warm string tone which was sometimes allowed to obscure the woodwind and brass. But in its own way it was a faultless reading, robust yet buoyant and unafraid of wide dynamic contrasts. He conducts Haydn not in clipped, uniform phrases but as a seamless line in which every gesture is given its own distinctive character and impelled towards the next. For once the repeats were to be anticipated and savoured.

Muti's pulling power means that he can afford to take risks with repertoire. Cherubini's *Missa Solemnis*, an ambitious work which exceeds Beethoven's in length but not in vision, is hardly a crowd puller. Cherubini's late church music is everything you might expect from a director of the Paris Conservatoire: solid, learned, and effective. That Muti has long been an advocate of this music was evident from the fervent tone he drew from a well prepared and robust sounding Philharmonia Chorus and the white hot intensity of the overall result. But it remains a humdrum work and it was a pity that he had not chosen to expend his energies on something a little more worthy.

Antony Bye

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

AUCTION
Sothebys Amsterdam
Tel: 31-20-5502200
● Indonesian Pictures, Watercolours, Drawings and Works of Art: this specialised sale of Indonesian paintings, watercolours and drawings also features several European painters who worked on the Island of Bali, including Adrien Jean le Mayeur de Merprès, Rudolf Bonnet, Theo Meier and Isaac Israels; 10.30am; Apr 24

■ BERLIN

CONCERT
Konzerthaus Tel: 49-30-203090
● Deutsches Symphonie-Orchester Berlin: with conductor Heinz Holliger and violinist Thomas Zehetmair perform works by R. Schumann and Holliger; 8pm; Apr 23, 24
Philharmonie & Kammermusiksaal
Tel: 49-30-2614383
● St. Petersburg Soloists: with conductor Stefan Bevier and narrator Friedhelm Ptok perform works by Schubert and Saint-Saëns; 8pm; Apr 27
OPERA
Deutsche Oper Berlin
Tel: 49-30-3438401
● Il Trovatore: by Verdi. Conducted by Jiri Kout (Apr 23, May 3) and Johan Arnell (Apr 29) and performed by the Deutsche Oper Berlin. Soloists include Gyöngyi Lukács, Marcia Bellamy, George Fortune and Reinhard Hagen; 7.30pm; Apr 23, 29; May 3
Komische Oper Tel: 49-30-202600
● Giustino: by Handel. Conducted by Charles Farncombe and performed by the Komische Oper. Soloists include Van Oyen, Korovina, Rabsilber and Grabowski; 7pm; Apr 23

■ BRUSSELS

OPERA
Théâtre Royal de la Monnaie
Tel: 32-2-2291200
● Pelleas et Melisande: by Debussy. Conducted by Antonio Pappano and performed by La Monnaie. Soloists include Laurence Dale, Maria Bayo, Monte Pederson and Nathalie Stutzmann; 8pm; Apr 23, 26, 28

■ DUBLIN

CONCERT
National Concert Hall - Ceoláras Náisiúnta Tel: 353-1-6711888
● A Gala Viennese and French Evening: with The Orchestra of St Cecilia, conducted by Aidan Faughey, soprano Kathryn Smith and tenor Arthur Davies. The programme includes the overture to Der Zigeunerbaron, the overture to La Vie Parisienne and songs and duets from Die Lustige Witwe, La Belle Hélène, Die Fledermaus and Der Zigeunerbaron; 8pm; Apr 27

■ HAMBURG

CONCERT
Hamburgische Staatsoper
Tel: 49-40-351721
● Arno Raunig: the counter-tenor performs works by Handel, Paisiello, Monteverdi, Porpora, Gluck and Mozart; 8pm; Apr 23

■ HOUSTON

EXHIBITION
Contemporary Arts Museum
Tel: 1-713-526-0773
● Richard Long: Circles Cycles Mud Stones: British artist Richard Long is renowned for his meditative walks which inspire his creation of artworks that evoke the surrounding landscape. For this presentation Long has created four works composed of regional materials, such as Santa Fe brick and Texas limestone. In addition to these works, the display includes photographs and text documenting the artist's walks through west Texas; from Apr 27 to Jun 30

■ LONDON

CONCERT
St. Martin-in-the-Fields Church
Tel: 44-171-9300089
● The Feinstein Ensemble: with conductor Martin Feinstein perform Mozart's Eine kleine Nachtmusik and Concerto for Flute and Harp, and J.S. Bach's Double Concerto for Oboe and Violin, and Air on a G string; 7.30pm; Apr 27
EXHIBITION
Design Museum
Tel: 44-171-3786055
● 100 Masterpieces. Furniture that made the Twentieth Century: exhibition featuring 100 pieces of 20th century furniture. Highlights of the show include the zig-zag chair by Gerrit T. Rietveld, E1027 by Eileen Gray, the Louis 20 chair by Philippe Stark, B3 (Wassily) by Marcel Breuer and the Well Tempered Chair by Ron Arad; from Apr 24 to Oct 6
OPERA
London Coliseum
Tel: 44-171-8360111
● Fidelio: by Beethoven. Conducted by Richard Hickox and performed by the English National Opera. Soloists include Anthony Rolfe Johnson, Kathryn Harries, Peter Sidhom and Philip Sheffield; 7.30pm; Apr 24, 27 (6.30pm) ; May 1

■ LOS ANGELES

OPERA
Wiltern Theater
Tel: 1-213-388-1400
● Orfeo ed Euridice: by Gluck. Performed by the Mark Morris Dance Company and the Handel & Haydn Society chorus and orchestra, conducted by Christopher Hogwood; 8pm; Apr 26, 27, 28 (2pm)
EXHIBITION
The J. Paul Getty Museum
Tel: 1-310-459-7611
● Ten Centuries of French Illumination: an exhibition of 20 manuscripts and single illuminated pages, presenting a survey of French painting in books, from the 9th to the 18th century. It includes richly illuminated books of many kinds, including scripture, liturgical and devotional books and bestiaries, as well as a series of elaborate emblems of the nobility. Jean Fouquet and Simon Marmion are among the 15th-century illuminators represented; from Apr 23 to Jul 7

■ MADRID

EXHIBITION
Museo Nacional Centro de Arte Reina Sofia Tel: 34-1-4675062
● David Smith: retrospective exhibition devoted to the work of this American sculptor. The display includes some 40 sculptures created between 1933 and 1965; from Apr 23 to Jul 1

■ NEW YORK

AUCTION
Sothebys Tel: 1-212-606-7000
● Property from the Estate of Jacqueline Kennedy Onassis: auction of some 1,200 lots of fine and decorative art, furniture, jewellery, antiquities and books which have come predominantly from Mrs Onassis' New York apartment; 10am & 2pm; Apr 23 (7.30pm), 24 (also 6pm), 25 (also 6pm), 26 (7.30pm)
CONCERT
Avery Fisher Hall
Tel: 1-212-875-5030
● Krystian Zimerman: the pianist performs works by Haydn, Beethoven and Schubert; 8pm; Apr 26

■ PARIS

OPERA
Théâtre du Châtelet
Tel: 33-1 42 33 00 00
● Fidelio: by Beethoven. Conducted by Daniel Barenboim and performed by the Deutsche Staatsoper Berlin and the Staatskapelle Berlin. Soloists include Catherine Malfitano, Johan Botha, Falk Struckmann and René Pape; 7.30pm; Apr 24, 27

■ SYDNEY

CONCERT
Concert Hall Tel: 61-2-250-7111
● The Australian Brandenburg Orchestra Ensemble: with conductor Paul Dyer and soprano Emma Kirkby perform works by J.S. Bach and Handel; 8.15pm; Apr 23

■ VIENNA

CONCERT
Konzerthaus Tel: 43-1-7121211
● BBC Symphony Orchestra: with conductor Andrew Davis and cellist Heinrich Schiff perform works by Berlioz, Dvorák and Tippett; 7.30pm; Apr 25
● Wiener Symphoniker: with pianists/conductors Tzimon Barto and Christoph Eschenbach perform Brahms' Piano Concerto No.1 in D minor, Op.15 and Piano Concerto No.2 in B flat major, Op.83; 7.30pm; Apr 23, 24
Musikverein Tel: 43-1-5058681
● London Mozart Players: with conductor Matthias Bamert and violinist Elissa Lee Kokkonen perform works by Stamitz, Mozart and Schubert; 7.30pm; Apr 23

WORLD SERVICE

BBC for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV

(Central European Time)

MONDAY TO FRIDAY

NBC/Super Channel:

07.00
FT Business Morning

10.00
European Money Wheel
Nonstop live coverage until 15.00 of European business and the financial markets

17.30
Financial Times Business Tonight

CNBC:

09.00
Squawk Box

10.00
European Money Wheel

18.00
Financial Times Business Tonight

Michael Prowse • America

Wolfensohn's task

The World Bank's new president is getting good publicity but cannot stem the institution's declining global significance

When the World Bank celebrated its 50th anniversary in 1994, it was attacked from all sides. Aid agencies such as Oxfam and Christian Aid complained that its allegedly harsh adjustment programmes were aggravating, rather than alleviating, social and environmental problems, especially in Africa. Conservative critics, meanwhile, argued that the rapid growth of private capital flows to developing countries had made the bank redundant.

Since taking over as president last year, Mr Jim Wolfensohn has tried to defuse what had become an intolerable din of criticism. He seems to be succeeding – at least with his natural allies in the global aid community. He pushed hard (and early) for generous multilateral debt relief for the poorest African countries: aid lobbyists are likely to blame the leaders of industrial countries, rather than Mr Wolfensohn, if the final scheme falls short of expectations.

And he has shown greater willingness than his predecessors to consult the leaders of non-governmental organisations and other aid groups. He is, for example, seeking their advice on ways to enhance the social component of structural adjustment programmes. "He's acting like the rest of the world exists – that's the big difference," says Ms Nancy Alexander, an admirer at Bread for the World, a US voluntary group.

Mr Wolfensohn's other main priority has been to reform the bank internally. He wants to create a "results culture" in which staff are judged not by the number or size of loans they generate but by the success or failure of projects on the ground. He has also promised to "break the armlock of bureaucracy on the institution" and encourage risk-taking and innovation. So far, however, progress appears to be disappointing.

At an extraordinary internal meeting with senior managers last month, he complained of widespread "cynicism and distrust". He referred angrily to a "glass wall" between him and the staff that was preventing him generating enthusiasm, change and commitment to reform. At times he seemed to despair of changing the bank's culture: "I just don't know what else to do ... I just beg you to think about it," he said.

Reading the transcript, I had a sneaking sympathy for the bank's senior staff. Every few years it is their misfortune to have a new president fresh from the private sector. The new chief invariably decides the bank is appallingly badly managed and demands instant reforms.

The problem in part is simply a misunderstanding of the way bureaucracies must function. The bank is owned by the world's governments. Its staff are civil servants, answerable to their political masters. They do not, and cannot, have a simple bottom line, comparable to that of "maximising profits".

They cannot be turned into entrepreneurs. Their goal is the fuzzy one of promoting third world development in ways acceptable to member governments. In an organisation not guided by the profit motive, a hierarchical chain of command and a detailed system of rules and regulations is more or less unavoidable. A bureaucracy without red tape is literally inconceivable.

Wolfensohn: has tried to defuse criticism since taking over

Perhaps because it has been led by European civil servants rather than US bankers, the International Monetary Fund has not suffered upheavals comparable to those at the bank. Mr Michel Camdessus, the managing director, does not make nonsensical complaints about cynicism, glass walls or lack of risk-taking. He simply uses the existing hierarchy efficiently to implement his goals, and those of member governments. He understands that a public bureaucracy works essentially on the principle of "command and control".

The reason for loss of morale at the bank is the fundamental change in the global financial climate – which affects it far more severely than the IMF. In the early post-war decades, it played a crucial role as an intermediary because private capital flows to developing countries were shackled by exchange controls and other artificial constraints.

Thanks to its status as a public institution, it could borrow at fine terms from lenders in industrial countries and recycle the funds to grateful governments in the third world. Its lending, staff and portfolio of projects grew rapidly, giving everyone a sense of purpose and achievement.

That sense of importance has disappeared and will never return – short of a global calamity which destroys private capital mobility. Private flows have quadrupled since 1990 while official development assistance has stagnated. The single largest source of finance for developing countries is now foreign direct investment by those once-reviled multinational companies. The bank's modest concessional loans to the poorest countries of about $5bn a year are insignificant when set against total flows to developing nations of $230bn a year. Its net disbursements at normal interest rates have dwindled almost to nothing, reflecting the maturity of its loan portfolio.

If Mr Wolfensohn is to restore a sense of purpose, he must confront this change in the bank's circumstances. It perhaps still has a role as a lender to the poorest of the poor, although they too would gain access to private flows if they instigated suitable economic and political reforms. But such a narrowed remit would not require anything like the present staff of 10,000.

Some say the bank still has a future as a provider of consulting services rather than loans. But it is not clear why advice cannot be provided by private sector groups. Mr Wolfensohn's plan to create an "internal market" in which country managers handle relations with client governments and purchase services from technical staff such as economists and agriculturalists within the bank does not go far enough. Why pretend all this must be done in house? The way to achieve the entrepreneurial changes he claims to want is by sweeping privatisation of bank functions.

Many staff would probably be more productive – and happier – if they formed their own private consultancies and competed for the custom of third world governments. But this is not a solution for bank lassitude that either Mr Wolfensohn, or his friends in the aid community, would ever willingly embrace.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to "fine"). e.mail: letters.editor@ft.com Translation may be available for letters written in the main international languages.

Strengthening morale and confidence in setting up WTO research unit

From Prof Jagdish Bhagwati

Sir, You are to be applauded for your timely editorial ("A map for trade", April 10) on the important role of independent research capability in the World Trade Organisation – denied hitherto by the membership of the WTO.

You are wise in rejecting a recent proposal to remedy the situation by establishing an eminent persons' group as created (and now terminated) by member governments of Asia-Pacific Economic Co-operation Forum which had no secretariat and director-general in the way that international institutions such as the WTO have. Instead of strengthening the WTO, such a group would emasculate it. By contrast, you properly prefer an alternative proposal to create an "independent research unit", funded by "a few governments, supported by an advisory group of economists of international standing", and reporting "to the WTO director-general".

A slight amendment of your recommendation, however, is necessary to improve its effectiveness in enhancing the WTO research capability.

The original proposal that you endorse rested on two legs. First, the director-general would raise a special research facility endowment from a few member countries friendly to multilateralism and not handicapped by domestic politics. The annual interest income from this endowment would be used to recruit 20-25 first-rate economists to more than double the existing minuscule and seriously overstretched research staff.

The creation of a separate unit *outside* of the WTO, no matter that it reports to the director-general, would instead tend inevitably to demoralise the within-WTO research staff. Second, just as the former director-general, Mr Arthur Dunkel, had appointed an economic policy adviser, Mr Renato Ruggiero would personally (entirely at his discretion rather than by governmental direction) choose, at this critical juncture of WTO's evolution, an advisory committee of eminent scholars to consult with periodically to seek expert advice on his agenda for the world trading system. In turn, the association of world-class economists with the WTO, and access to them by the augmented secretariat research staff, would strengthen the morale and confidence of in-house staff.

Jagdish Bhagwati,
Arthur Lehman professor of economics,
Columbia University,
420 West 118th St,
New York NY10027, US

More effective curbs on monopoly profits

From Mr Rupert Darwall.

Sir, John Kay's claim that "it is impossible to have competition in the water industry" ("An idea full of leaks", April 12) misses an entire dimension in which competition can be introduced. Even if it is difficult to have competition within a market, it is usually possible to introduce competition for the market. Water is no exception.

For a start, the ownership of Britain's water and sewerage pipelines can be separated from maintenance, from customer billing and the provision of new investment. Competition can be introduced for the right to provide all these activities.

The reforms of the public sector – which itself is a monopoly provider – can be extended to monopoly utilities. Competitive tendering, market testing, the Private Finance Initiative and the rail regulator's auction of rail franchises all show how competition can be extended. Separation of ownership from the provision of services would enable regulation to be more effective at curbing monopoly profits.

Since there is no competitive threat to the owners of water pipelines, there is no need for them to receive returns much higher than the long-term real interest rate of around 2 to 3 per cent. At present, the regulator permits water companies to earn returns of 6 to 7 per cent.

Requiring that all new investment is put to a competitive tender would introduce real competition to establish the lowest return that investors need.

Since 1991, water company shareholders have earned returns nearly 50 per cent better than the stockmarket. Common sense suggests that this reflects exploitation of a monopoly. Failure to introduce competition, as advocated by John Kay, represents a bleak prospect for water customers. Is that what is really meant by a stakeholder society?

Rupert Darwall,
former special adviser at the Treasury,
London N5 2UX, UK

From Chris B. Shirley,

Sir, John Kay's arguments can be faulted, but why bother? No large industrial water user would buy water of a quality different from that for which he has designed his water treatment plant. Kielder Water, for instance, would play havoc with a multi-million pound water treatment plant designed to treat a southern borehole water.

Chris B. Shirley,
Dewplan Group,
Beechwood Hall,
High Wycombe,
Bucks, HP11 1LA, UK

Minimum wage not factor in job cuts

From Mr Ian McCartney MP.

Sir, Your article, "Coats Viyella to lose 2,700 jobs in £50m shake-up" (April 15), speculates on the reasons for the company's restructuring, and states: "The prospect of a Labour government introducing a minimum wage above £4 an hour is also an influence."

This is inaccurate. As you know, the next Labour government will introduce a national minimum wage at a level established by a low pay commission, on which employers, unions and independent representatives will sit.

Furthermore, the company secretary of Coats Viyella, Mr Sam Dow, has categorically informed me that our proposed minimum wage was not a factor in their decision. These job losses are the product of a restructuring within the textile industry.

Nothing more should be read into the company's decision and it is important that the Financial Times does not allow itself to be used by the Tory lie machine, which continues to support a policy of low pay or no pay.

The textile and clothing industries have been hit hard by both long-term job losses and successive recessions. Between 1989 and 1995, one in seven jobs were lost.

The sector went into recession ahead of the rest of industry and, last year, output was still 18 per cent below its pre-recession peak. The textile and clothing industries have nothing to thank the Conservative government for and would benefit greatly from the measures to support industry that are currently being proposed by Labour.

Ian McCartney,
shadow employment minister,
House of Commons,
London SW1A 0AA, UK

Technology • Julian Perkin

Automatic gift of tongues

More computers are being used to translate documents, and they save money

The galactic hitch-hikers in the world of science fiction author Douglas Adams had a simple way to understand any language they came across – they simply popped a Babel fish into their ears.

Back on earth, things are not so easy. The translation of spoken and written languages was one of the first non-numeric applications envisaged for computers, but initial high hopes were dashed. Quality translation, particularly of general texts, remains to this day an elusive goal.

The past decade, however, has seen a resurgence of research into machine translation (MT). Funding for academic and commercial research projects in Japan, Europe and the US has been stepped up.

The globalisation of business has been a driving force. Complex technical products traded around the world require volumes of supporting documentation, much of which needs to be translated to facilitate sales.

A big problem in translation is ambiguity both in the structure of sentences and in vocabulary. Words often have multiple meanings and functions and rarely correspond directly to words in other languages.

While people naturally make the most plausible interpretation of the words they read, computers calculate every possible rendering of a sentence and find it hard to work out which is the most reasonable.

In many instances, the same sentence may require alternative translations when repeated in different contexts. People draw on a wealth of general and contextual knowledge in understanding and translating a sentence. This is hard to model in a computer.

More problems lie in the fact that, for cultural reasons, the approach to writing varies according to the language used. For example, in English the passive form is frequently used, but seems inelegant if translated directly into any of the Latinate languages. Minutes of meetings are reported in the past tense in English, but are normally written in the present tense in French.

Translation involves more than producing equivalent sentences in another language. Paragraphs or whole sections may need to be replaced. How a computer may understand a text is a matter for philosophical debate. But a model of understanding can be simulated, drawing on areas such as artificial intelligence and linguistics.

Progress in research is being made for specific translation problems within limited and specialised texts. But a higher order of complexity is faced when combining and scaling up prototype solutions to address a broader range of texts.

Commercial MT systems are actively being used already. Surveys by the International Association for Machine Translation indicate that the number of words translated annually runs to hundreds of millions and is growing. Companies in manufacturing, electronics, software and other sectors are using automated translation to support their products internationally.

MT is also widely used in the European Commission and in the US defence department.

Corel, the Canadian software maker, and Oce-van der Grinten, the Dutch manufacturers of copiers and plotters, have both invested in MT systems in the past year. Each has managed to recoup the investment in the first important project.

SAP, a big German software company, has been using MT productively since 1991 and has translated more than 10m words. Daniel Grasmick, head of the company's MT unit, says: "In urgent cases we can achieve two to three times the productivity of human translators. Over the past two years, we would not have been able to deliver without machine translation technology."

Technical documentation is an apposite target for translation by computer. Often dry and dull, and requiring scientific or technical competence, texts may be long, difficult and unrewarding for human translators. Terminological consistency is a serious problem, particularly if the job is split between a number of translators.

Most sentences in technical documents are straightforward enough not to catch computers out, and computers are good at using consistent terminology. They are also fast and inexpensive, so long as the text they generate is good enough to avoid excessive reworking in the revision process.

Most of all, technical documentation is voluminous. This offers considerable economies of scale. As John Hutchins of the University of East Anglia notes: "The market for the translation of technical documentation already outstrips the availability of human translators."

The need for the assistance of computers is clear.

The leading established MT systems, such as Metal, Systran and Logos, cannot simply be bought off the shelf and plugged in. They need to be attuned to the user's application and a team of linguists is required to maintain the system's dictionaries and database of translation rules.

A service sector is emerging. Translation agencies are taking on the work of polishing up the output from MT systems. This work is often outsourced, and MT specialists or developers may offer to operate and maintain systems for corporate users.

Translation agencies such as Mendes in Brussels and Gecap in Munich offer entire translation services based on MT and geared to specific subject matter. At the other end of the scale, inexpensive translation software packages for desktop computers are readily available.

While these products do not offer the highest quality, they have attracted a sizeable user base due to their low cost – prices range from less than £100 – and the fact that they are easy to install and use on standard office or home computers.

> Complex technical products traded around the world require volumes of supporting documentation, much of which needs to be translated

Colin Brace, editor of Language Industry Monitor newsletter, explains: "Casual business and home use is where we are seeing the most growth".

The quality of translation offered is adequate for the required purposes. Rough translations can be used for information gathering, judging whether a document is suitable for more accurate translation and simple communication via E-mail or letter.

These newly available tools seem to be filling a latent demand for translation. Dan Rootham, who runs a small software distribution company in London, started using translation software three years ago for business correspondence with Russia, Kazakhstan and Ukraine.

"The majority of users are individuals in small to medium-sized companies using MT software packages to translate faxes and E-mails. The heaviest users [of Russian MT] are in the oil and gas industry." He adds: "The past 12 months have seen a marked improvement in quality coinciding with driven down prices."

In line with other parts of the computer software industry, big MT applications are gradually being moved on to smaller, less expensive and more standard computers.

Meanwhile, the software packages are beginning to be founded on stronger methods and to offer more sophisticated tools. Commercial online access to MT systems is now available through services such as CompuServe or via the Internet or by direct dial access. For around 3 cents per word, letters, messages or business documents can be translated. For 10 cents per word, translations can be verified and polished by a translator.

Netscape, the leading Internet software group, has joined forces with Globalink, commercially the most successful translation software developer, and intends to offer instant translations with the next release of its Internet browser.

Computers which translate general texts well, or specialised texts perfectly, may still be some way off. But the potential is evident in the many millions of words already being translated each year by computers, and in the benefits perceived by individuals in businesses using translation software running on desktop computers.

هكذا من الأصل

COMMENT & ANALYSIS

FINANCIAL TIMES
Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700
Monday April 22 1996

Fault lines of nuclear safety

By inviting seven world leaders to Moscow for a meeting on nuclear security, President Boris Yeltsin has probably boosted his own chances of remaining in the Kremlin after the forthcoming elections. But it is much too early to say whether the world has been made any safer for anybody else.

The most positive single development at the nuclear security summit was Russia's unequivocal endorsement of a comprehensive test ban treaty. While China and India could still queer the pitch, and Moscow may yet insist on hard preconditions for the treaty's entry into force, the Russian announcement is a welcome boost to the chances of concluding a treaty by the autumn.

In other respects, the G7 summit was short on substance and long on worthy sentiments. At best, it refocused public attention on two of the threats which hang over us all: the risk of another nuclear accident like the Chernobyl catastrophe, and the lesser-known danger posed by the fissile material piling up at over 900 ill-policed sites in the former Soviet Union.

On Chernobyl itself, Mr Yeltsin and his guests won a fresh assurance from Ukraine's President Leonid Kuchma that he would shut the installation altogether by the year 2000. But it remains to be seen whether Kiev will be satisfied with the $3bn which the G7 has offered as compensation.

Soviet technology

The chances of any other Chernobyl-type RBMK reactors being closed or even significantly improved look dimmer. The confidence of G7 governments in their ability to force the closure of all such reactors has receded sharply since the group endorsed that goal in 1993. Russia and some other ex-communist countries, including Slovakia, have become sceptical of western lectures on the defects of Soviet technology. They allege that western commercial interests are taking precedence over objective considerations of safety.

The west can parry that objection by helping such nations rationalise their energy markets and use power more efficiently - something that benefits almost everybody. But the suspicion that individual nations are promoting their own narrowly defined interests, even as they warn of dangers facing all mankind, is one that pervades all nuclear security debates, including the question of how to deal with fissile substances in the ex-Soviet Union.

Paradoxically, arms control has made this problem worse. As up to 3,000 Russian nuclear weapons are dismantled every year, some 15 tons of plutonium and 45 tons of bomb-grade uranium are being transferred from the relatively safe hands of Moscow's Defence Ministry, to the Ministry of Atomic Energy, a secretive and xenophobic agency which will face increasing difficulty in guarding its holdings.

Hidden agenda

The nuclear ministry tends to view all Western offers to guard or buy up its stocks as motivated either by commerce – the desire for cheap reactor fuel – or a hidden strategic agenda, aimed at neutralising what remains of Russia's deterrent force.

Moscow's scepticism is exacerbated by the fact that deep fault lines do exist in the G7: for example, the US is buying up Russia's weapons-grade uranium, while trying to prevent its European allies from doing so. The lack of consensus within the western world has emboldened Russia to play one country off against another, and withhold any form of co-operation in nuclear waste management that could compromise its own independence.

Despite all these problems, there are some hopeful signs. After tortuous negotiations, Moscow's atomic energy ministry has accepted US help with improved control and accountancy at some its nuclear installations, and with the construction of a store big enough to contain 40 per cent of Russia's plutonium.

The Western nations have little choice but to press ahead with the search for a basis on which they and Russia can manage together the legacy of the cold war. Russia is entitled to insist on taking the main responsibility for its own nuclear stocks. But this does not preclude rational co-operation – nor exonerate Russia from its responsibility to avoid exposing the whole planet to danger.

Mr Brown's tough choices

It is commonly assumed that the Labour party lost the last general election in the UK because of its commitment to higher taxes. The proposed scrapping of the income ceiling on National Insurance contributions and planned increase in the top rate of income tax played directly into Conservative hands.

Tax, however, does not tell the full story of the defeat. The voters indeed feared higher taxes but, crucially, they also believed the additional revenue would be wasted. A Labour government would not deliver a better health service or refurbished schools. Higher taxes and spending were simply the easy option, an excuse to ignore more difficult decisions about the future of the welfare state. The electorate's hard-earned money would be squandered, most probably on bribing Labour's trade union friends.

Mr Gordon Brown, the shadow chancellor, has spent most of the past four years attempting to dispel this perception. Previous spending pledges have been ditched and assurances offered that Labour has no intention of raising the tax burden on middle-income Britain. In an oft-repeated phrase, Mr Brown is determined to show that Labour can make "tough choices" about priorities, that it is prepared to cut spending as well as increase it.

Welfare state

The obvious starting point is the welfare state. The shadow chancellor has already indicated that unemployed young people who refuse to take up serious offers of work experience, further education or training should expect to have their social security benefits reduced. As he admitted last week, for too long Labour's instinct has been to compensate those in poverty through higher benefits rather than to provide them with the educational and economic opportunities needed to escape from welfare.

Now Mr Brown has also said that a Labour government might scrap the payment of child benefit for those 16 to 18 year-olds who stay on at school, at a saving of around £700m a year. The resources would instead be concentrated on providing better education and training for the most disadvantaged.

It is right that the state should acknowledge the extra cost of bringing up children, but the present benefit already ceases to be universal at age 16. It is lost to the mothers of children who leave school. It is also clear that the benefit has done little to encourage poorer children to remain in education. Four-fifths of the children of unskilled men leave school at 16, the majority without any qualifications.

Further education

The means-tested maintenance grants paid by a handful of local authorities have proved a more cost-effective way of encouraging such children into further education. For all the squeals at Mr Brown's suggestion from the Labour left, the main beneficiaries of the present system are middle class parents, whose children are likely anyway to stay on at school. It is they who stand to lose, a point quickly grasped by Mr Peter Lilley, the secretary of state for social security.

But the middle classes cannot be immune from reform of the welfare state. The emergence from the present system of a vast swathe of un- or under-educated young people involves a heavy economic as well as social cost. Britain will not prosper unless it raises the skills of a high proportion of the workforce. As long as there is no pot of taxpayer's gold, it makes sense to distribute existing resources more equitably.

Mr Brown is promising further hard decisions before the election, notably on the future of state pension provision. More will be needed, however, if Labour is to satisfy the voters it has mended its ways. So far it has offered a vague pledge not to raise the tax burden on the middle classes, has rashly promised to reduce VAT on domestic fuel and has floated the idea of a lower starting rate of income tax. But great uncertainty still surrounds its attitude to the higher rate of income tax and the extent to which it might make the whole tax system more progressive. Mr Brown will soon have to confront tough choices about tax as well as spending.

The price of nationalism

James Buxton explains why many Scottish businesses fear devolution could mean more taxation as well as more representation

Mr George Robertson, who is likely to become secretary of state for Scotland if Labour wins the next UK general election, says he believes passionately that the Scottish parliament which the party is proposing to set up in Edinburgh will "stimulate and revitalise business".

But so far he has had a difficult time persuading senior members of the Scottish business community that a Scottish parliament would be to their advantage. Some see it as a potential source of political instability and higher taxes.

The issue is to be debated today at a conference in Edinburgh entitled "Devolution – Good for Business?". The majority of speakers from the business community are likely to express misgivings.

Under Labour's plan the Scottish parliament would take control from Westminster of matters now administered by the Scottish Office – such as education, health, local government and agriculture. Westminster would be left with macro-economic policy, social security, defence and foreign policy.

The parliament would have 129 members, more than half elected under the first-past-the-post system, but topped up with members elected from party lists to give a measure of proportional representation. It would be funded, as the Scottish Office is now, through a block grant from the Treasury, but it would also have the power to "vary" the basic rate of income tax in Scotland by 3p in the pound.

As Labour and the Liberal Democrats see it, a Scottish parliament would bring the running of Scotland closer to the people. The Scottish Office is now in the hands of the ruling Conservative party – which commands only 12 per cent support in Scottish opinion polls.

"No company would be run in this way," Mr Robertson told a business audience recently. "If decentralisation and devolution to local units is the way get a business efficient, why should it not be the same in running the country?"

Decentralisation has some appeal in the Scottish business community. Last year a survey by the Scottish chambers of commerce found most respondents favourable or at least neutral towards a shift of decision-making from Whitehall to Scotland, and two thirds either supported or were neutral towards setting up a Scottish legislature. But less than a third said they would favour one with tax-raising powers.

When the Institute of Directors in Scotland recently consulted its members, some of them said Scotland could benefit from a parliament if it approved legislation relevant to Scotland's needs more speedily than Westminster. Others pointed to the economic benefit that Edinburgh would gain as a centre of political power.

But the predominant conclusion was negative: institute members feared that a Scottish parliament would distort the UK's single market by imposing higher taxes and different business legislation to England. Aware that most Scots had voted over the past 40 years for parties backing higher public expenditure, they felt this would inevitably mean that the parliament would raise taxes.

"We need devolution like we need a hole in the head," is the private verdict of one senior Scottish businessman. He considers a Scottish assembly to be a fad of romantics, not of "people who have to earn a living or pay a wage cheque".

Lord Weir, chairman of Glasgow-based Weir Group, a big engineering company, is a Scot and a staunch upholder of the union of the United Kingdom. His role at today's conference is to outline why devolution is bad for Scottish business

"The assumption people make," he says, "is that nothing else will change after devolution and things like our relationship with England will just carry on as before. But it won't be like that. At the very least it will precipitate debate about other changes, and may even lead to such changes."

He is thinking of issues such as the over-representation of Scotland at Westminster – the fact that Scotland merits about 57 MPs on a population basis but has 72; and the West Lothian question, raised in the 1970s devolution struggle by Mr Tam Dalyell, then Labour MP for West Lothian, who asked why, after devolution, Scottish MPs at Westminster would be able to vote on education in England while English MPs would not be able to vote on education in Scotland.

Devolution will also expose, Lord Weir says, the fact that identifiable public expenditure per head is 21 per cent higher in Scotland than in England, and substantially above that in the north of England, which has much higher unemployment.

The Labour party firmly rejects contemplating any change in the way Scotland is represented at Westminster or in the sharing out of public expenditure among the regions. But Lord Weir believes that "these issues will not go away or be settled quickly". As a result, he says, "devolution will be unstable and cause uncertainty, and uncertainty is very bad for business".

A dividing line in attitudes to devolution can be discerned between Scottish companies whose activities are largely confined to Scotland, and those such as Weir Group and the financial institutions which operate all over the UK. Companies in the latter category have channels of communication to the British establishment which they do not need to supplement with a body in Edinburgh.

Mr John Mackenzie runs an electrical contracting business in Edinburgh which deals mainly with companies headquartered in England. He is afraid that "the more we emphasise how different we are, the more we risk stirring up the English and being seen as turbulent Scots".

He wonders whether many Scots realise that they probably have a greater influence in the UK than their share of the UK's population entitles them to. That includes disproportionately large representation on such bodies as industry-wide training committees and academic research institutes. All this could be threatened if Scotland pulled away.

However, that attitude will be rejected at today's conference by Mr Nigel Smith, who runs a Glasgow engineering company. He believes devolution for Scotland will swiftly be followed by the setting up of regional assemblies in northeast England and elsewhere, though apart from Wales this is not in Labour's plans. This would diminish the lopsidedness of devolution to Scotland.

Mr Smith also challenges the Scottish business community's opposition to the Scottish parliament having tax-raising powers. Such powers would help "concentrate the minds of politicians about just how important a particular piece of expenditure really is". Labour's Mr Robertson is highly sensitive on the issue, possibly because of the Conservatives' almost daily attacks on what they call the "tartan tax".

"A power is not a tax," he says, "and a governing Scottish administration would be very cautious before thinking of using even part of that power." He believes the parties in a Scottish parliament will state in advance of elections to it whether they intended to use the power. Labour has no plans to use it, he says.

Labour has also said the assembly would have no powers to alter corporate taxation. But the Scottish financial community of banks, life assurance companies and fund managers is extremely worried about the proposed tax powers.

The main concern of Scottish Financial Enterprise (SFE), the trade body for the sector, is how a Scottish assembly would apply any income tax surcharge to unearned income such as interest and dividends, which are taxed at source. People with money in Scottish bank accounts could end up paying more tax than those with English banks.

"Spokesmen on the devolution side have made reassuring noises, but the tax question is still something of a black hole which needs to be clarified, and quickly," says Mr Grant Baird, chief executive of SFE, who is addressing the conference.

Scottish life assurance companies, which do about 85 per cent of their business in England, are afraid that even if the political parties promise not to levy any tax now, their English competitors could say to potential customers: "Why put your money with a Scottish company over a period of 20 to 25 years when the tax raising powers could be different in five years' time?"

Fearful of that danger, some Scottish life companies warned before the 1992 general election that they might have to move their domicile to England. That is just one of the questions raised by devolution that are likely to be debated even more intensely if a Labour government comes to power.

· OBSERVER ·

One byte short of mega

■ What do you do if you are a US computer magnate with money to burn? Buy a sports team? Oh, what the hell, gimme two. Microsoft co-founder Paul Allen has gone for the double.

Providing the US National Football League is willing to change its rule forbidding ownership of clubs in different sports, Allen will become the proud owner of the Seattle Seahawks football team. He already owns the National Basketball Association's Portland Trail Blazers.

Nothing is fixed, but at the weekend Allen acquired an option to buy the Seahawks any time in the next 14 months for an undisclosed price believed to be more than $200m, including existing debt.

A statement from the NFL said it was reviewing its policy prohibiting someone who owns a majority interest in an NFL club holding any interest in another professional sports team. But a recent study by the league found that a case could be made for dual ownership, and the issue will be discussed next month.

Cyberspace experts reckon that those who own attractive sports teams will become significant players on the new-media scene by early next century. That could be what Allen is thinking about. Or perhaps he simply has more money than megabytes.

Room on top

■ Japan's trade diplomats were in mischievous mood at talks this weekend in Kobe between the US, Japan, the European Union and Canada.

They had a double-edged welcome in store for Charlene Barshefsky, the newly-appointed acting US trade representative, who turned up to Kobe to give her maiden performance at an international meeting.

Japan's ministry of international trade and industry has never forgotten how the US last year threatened Japan with unilateral economic sanctions under section 301 of US trade law, in the dispute over access to the Japanese car market.

So when Barshefsky's delegation turned up to the meeting hall in Kobe, they were politely shown to their quarters in – yes you guessed it – Room 301.

Icarus meltdown

■ No wonder people are getting a touch jittery about state-owned Commercial Bank, Greece's second-largest banking group. Weeks after other Greek banks announced their results, Commercial's new boss is still poring over the balance sheet.

Commercial's former chairman, Panayotis Poulis, was sacked two months ago in a shake-up at state banks ordered by the new prime minister, Costas Simitis.

Poulis's strategy for expansion, which included hiring hundreds of new staff, increasing the bank's exposure to Greek shipping companies and setting up a $100m venture capital subsidiary, was overly aggressive, according to former colleagues.

The new chairman, Dimitris Georgoutsakos, acquired a reputation for caution while serving on Greece's capital markets committee, the watchdog for the Athens stock exchange.

Among other things, Georgoutsakos has been taking a close look at Commercial's provisions for doubtful debts. Bankers at Commercial are now suggesting Poulis's optimistic forecast that 1995 profits would amounting to some Dr45bn ($187m) may have to be cut by half.

Peer pressure

■ When the UK House of Lords debates Hong Kong this week it will have the benefit of advice from two of the territory's tougher women politicians. One is Christine Loh, the democracy campaigner who once threatened to chain herself to the Legislative Council building when China takes over, only to change her mind when she realised it would be impossible to go to the bathroom. The other is Margaret Ng, who represents the legal profession in LegCo. Both were in London at the weekend, lobbying their lordships.

They are worried about China's plan to scrap the existing LegCo. Their fear is that China may deploy a provisional body to pass laws undermining freedoms in Hong Kong, forcing out of politics those it doesn't like. People like Ng, a precise lawyer who is hardly a ranting rabble-rouser, will find themselves in a new role. "They say I am a dissident, but I thought I was a conservative," she says.

Loh says she is also concerned by China's request for air-time on government-owned Hong Kong television and radio. But she admits that any Chinese broadcasts would at least initially enjoy high ratings: "We would be very interested to see what sort of crap they come up with," she says dismissively.

Logged-off

■ Slapped wrists for the authoritative French organ *Le Monde*. The association for the respect of the French language has criticised an article it carried on measures to protect the use of French – but which made a reference to a "CD-ROM" computer disk. The correct phrase, the association argued, should be a "DOC" – a disque optique compact. At least it's shorter.

The Financial Times

100 years ago

Competition from Japan
The industrial development of Japan is going on apace, and the amount of fresh capital invested in new and old enterprises including railways and banks from January, 1895, to the begining of this year is estimated in a native paper at not far short of 500,000,000 yen. New concerns absorbed most of the capital subscribed, and the current year has started with quite a boom in the Japanese company world. It appears that both Australia and California are beginning to get anxious about the industrial competition of Japan, and the Californians are about to make representations in Congress on the subject. But Japan can hardly be regarded yet as a serious competitor in the export field.

Electrical standards
In the House of Commons yesterday Colonel Mellor asked the President of the Board of Trade whether the Board could offer the same facilities for testing and checking electrical standards as is given by the German Government with so much advantage to the German manufacturers of electrical apparatus. Mr. Ritchie said the Board of Trade had caused new denominations and standards for the measurement of electricity to be made and verified.

FINANCIAL TIMES
Monday April 22 1996

Ministers look for reassurance of Japan's recovery

Bundesbank rate cut brings optimism to G7

By Robert Chote, Economics Editor, in Washington

Finance ministers and central bank governors from the Group of Seven leading industrial countries met in a mood of cautious optimism about the world economy yesterday, in the wake of the Bundesbank's unexpected decision last Thursday to cut German interest rates.

The G7 meeting took place ahead of the spring meetings of the International Monetary Fund and World Bank, which start in Washington today. The IMF expressed concern about the sluggishness of Europe's "hard currency" economies last week and urged that "the available scope for further easing of monetary conditions in the hard currency countries be fully utilised".

European growth has supplanted misalignment of key exchange rates as the G7's main concern in assessing the state of the world economy. However, G7 officials said that ministers and central bank governors would also be looking for reassurance from the Japanese that recovery in Japan was safely under way and that domestic policies would continue to support it.

On exchange rates, German officials said yesterday they were broadly content with the level of the dollar, but Mr Hans Tietmeyer, president of the Bundesbank, hinted that he would be happy for the US currency to rise even further.

A Japanese official said it was not clear whether the G7 was yet satisfied with the dollar's level against the yen, but ministers will discuss an IMF staff document today which argues that there has been "an adjustment in the value of the yen towards a level that no longer seems misaligned".

Mr Theo Waigel, German finance minister, said he was concerned by the IMF's leniency towards countries in Europe that had devalued against the hard core. He argued that devaluation was "dangerous and wrong", and that all countries could not pursue this policy at once because some had to gain at the expense of the others.

Before the G7 meeting, Mr Waigel met Mr Kenneth Clarke, UK chancellor of the exchequer. They agreed that enlargement of the European Union should not provide an excuse to raise the ceiling on the EU's budget from 1.3 per cent of gross domestic product.

They also agreed that it was important to get discussions under way on the financial implications of enlargement before the accession negotiations started in earnest after this year's intergovernmental conferences.

The G7 finance ministers were also expected to discuss the joint proposals by the IMF and World Bank to alleviate the debt burdens of some of the world's poorest countries.

IMF checks out progress, Page 5
Editorial Comment, Page 22

Main trading powers near to pact on opening up telecoms

By William Dawkins in Kobe

The US, European Union, Japan and Canada yesterday moved closer to an accord in World Trade Organisation negotiations to liberalise the more than $500bn-a-year global telecommunications market, but important issues remained unresolved.

The meeting in Kobe of the world's four main trading powers ended with qualified optimism remaining problems could be settled in time to encourage others to sign up to a broad international accord by the WTO's deadline at the end of this month, after nearly two years of talks.

"We have made very important progress ... Success is by no means assured, but we have agreed to work to that end," said Ms Charlene Barshefsky, acting US trade representative. Sir Leon Brittan, European trade commissioner, said that on the strength of the progress at Kobe others "must come forward and join us in the last lap to success".

Canada and Japan were expected to make improved offers in the next few days, adding authority to the Quad's hopes of encouraging the 30 other countries in the telecommunications talks to follow suit. Sir Leon and a top US trade diplomat left Kobe for Indonesia and Singapore to seek support.

All four Quad trade ministers suggested there was room for compromise, which they will now seek to turn into firm offers after consulting their governments in the next few days.

The EU indicated flexibility on what had been one of the main sticking points for the US: restrictions on foreign ownership of telecoms companies in three European countries, France, Belgium and Spain. In return, the US and Canada showed readiness to compromise on what had been a problem for the Europeans: restrictions on the landing of submarine telecoms cables on US and Canadian shores.

Canada was unable to lift its 46.7 per cent ceiling in foreign ownership, but that would be less of a barrier to progress if, as seemed possible, it liberalised submarine telecoms, said trade diplomats.

Expectations were high for resolution of the two other main sticking points in the WTO talks: US anxiety over the terms under which free competition should be introduced into international telecoms services, and the scope of application of free trade principles to outlaw unfair discrimination by dominant carriers.

EU and US clash, Page 4

Design skills of UK groups lag rivals in Germany

By Stefan Wagstyl in London

British companies lag their German rivals in design skills, but the gap is not as great as in manufacturing knowhow, says a study of innovation and product development published today.

Only four of 122 UK plants covered were rated world-class in design. The survey was carried out jointly by IBM, the US computer company, and the London Business School. Of 123 German factories, 10 made the top grade. The seven worst performers were all British.

However, while British companies consistently fared worse than German groups, the researchers found that overall there were fewer poorly performing UK businesses than in a similar study of manufacturing skills published two years ago.

The authors say there is some truth in the British belief that the "UK breeds great skills of invention".

Mr Philip Hanson, manufacturing practice leader at IBM Consulting, IBM's management consulting arm, attributes the German lead in design mainly to the higher level of technical education in Germany and the higher value placed on practical engineering skills.

"They create engineers, while we create scientists," Mr Hanson says.

He also says that Germany's higher labour costs force German companies to pay more attention to cutting costs during the design process because it is easier to make big cost reductions in a product during the design stage than after production starts.

"They're very methodical, designing things over and over again," he says. "So are the Japanese. But we don't do this so well."

In both the UK and Germany, the study found the best-performing companies tended to be strong in all aspects of design including product life-cycle planning, technology strategy, innovation culture and design for production.

Leading companies are both quality-conscious and fast, the study says. As a result, laggards cannot hope to compete by concentrating only on quality or speed: "As a result, the gap between world-class and the rest is likely to widen."

It warns against the temptation to move too much manufacturing activity to low-cost countries in east Asia or elsewhere. It says that while there are short-term savings to be had, there are long-term advantages in keeping design and manufacturing close together.

Made in Europe 2. IBM Consulting Group, IBM United Kingdom, PO Box 31, Warwick CV34 5JL.

THE LEX COLUMN

Redundancy options

The controversies over the chairman of AT&T's $16m package and the decision by Daimler-Benz to award its top executives share options highlight one of the big ethical questions in modern capitalism: should bosses profit from making their employees redundant? In both cases, vast redundancy programmes are under way - 40,000 at AT&T and nearly 9,000 in Daimler-Benz's aerospace unit alone – and investors are cheering the prospect of cost reductions. At AT&T, executives already possess options, allowing them to benefit from any rises in the share price; at Daimler, they soon will.

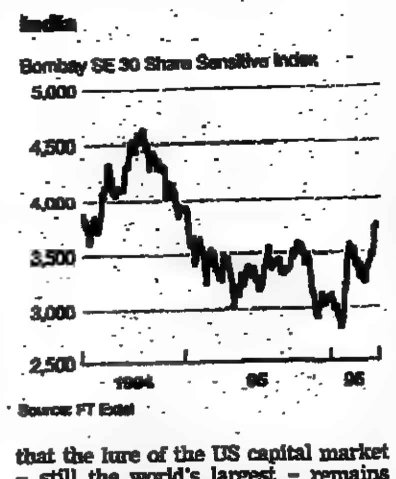
In principle, incentives for managers to improve shareholder returns, even if that means making painful job cuts, are desirable. But, in each specific case, investors need to satisfy themselves on two points. First, do the redundancies really add to the business's long-term value or will they merely give a short-term fillip to the bottom line? At AT&T and Daimler, the redundancies are unavoidable, given increasingly stiff competition in telecoms and aerospace. But executives can sometimes seem willing to compromise future growth prospects by slashing jobs.

Second, even when redundancies are needed, should the executives be rewarded for implementing them? That depends on whether the cuts are required because of changes in market conditions or past mismanagement. In most situations, including both AT&T and Daimler, the truth lies somewhere in between. Investors must therefore exercise their judgment carefully. But where mismanagement is clearly the main culprit, it would be more appropriate to fire the executives concerned than to enrich them with options.

Accounting rules

One of accounting's Holy Grails – a set of common standards acceptable the world over – is almost within reach. This month, the International Accounting Standards Committee slashed a year off its four-year timetable to produce such a core set of standards. Its secretary-general, Sir Bryan Carsberg, now hopes to publish them by March 1998. The benefits would be considerable: companies could list their shares and raise money in all major markets using just one set of accounts. That would reduce their cost of capital. Investors, meanwhile, could make more meaningful cross-border comparisons.

But Sir Bryan's success is not a foregone conclusion. The recent decision by German conglomerate Veba to adopt US accounting standards shows



that the lure of the US capital market – still the world's largest – remains powerful. Like Japan and Canada, the US does not currently accept IASC standards. US rules are harsher; but if enough big European companies adopt them because they get tired of waiting for the revamped international ones, that could undermine the credibility of the IASC.

Much depends on which way Deutsche Telekom jumps when it floats later this year. If many more German companies choose US standards that may encourage America's Financial Accounting Standards Board to set itself up as a rival. Equally, the G4 - a group including the British, Canadian and Australian standard-setters as well as the FASB – may be tempted to usurp the IASC's role as the international standards-setter. To head off such threats Sir Bryan must deliver standards that are strict enough to be credible; and deliver them on time.

India

With India's reformist government widely expected to lose its parliamentary majority, you might think the stock market would be having the jitters. But you would be wrong. Last week alone, fuelled by strong foreign buying, the market rose 7 per cent.

One of the reasons, perversely, is that investors have grown used to a post-election rebound in India; by piling in early to take advantage of it, investors have started the rebound before the elections have even begun. This is, of course, risky. The election result is deeply unpredictable, but the least likely outcome is that any one party will have a clear majority. A coalition government could easily mean a period of painful uncertainty for investors. And such a government is unlikely to have the political strength to press on rapidly with the reforms India needs: deregulation of industry, and unravelling the sprawling public sector.

But the downside risks still look modest: certainly, the opposition parties' manifestos are surprisingly moderate. And even if opposition to foreign companies were to grow again, that would not hurt Indian stocks. But the most compelling case for investing is simply that shares look good value. Even if corporate earnings growth is slowing, it is still formidable – comfortably enough to justify an average market rating of 13 times next year's earnings. Moreover, given the political consensus surrounding the basics of reform, and India's undoubted economic potential, the long-term outlook is benign. India may still be more like an elephant than an Asian tiger, but such beasts have their virtues.

Hanson

The fashion for demergers is bringing some life back into long-depressed Hanson. Its shares are almost back to the level when its four-way split was announced. And brokers are talking of a 250p-a-share break-up value for the conglomerate, suggesting potential upside of 25 per cent.

It is hard to divorce the current enthusiasm from the fact that a throng of merchant bankers and brokers is pushing to secure mandates for the three new companies. But there are two factors which justify higher valuations. First, Southern Company's unreciprocated affection for National Power suggests that its attention could turn to Hanson Energy. That includes Eastern Electricity – which last week acquired three of National Power's power stations for £1.7bn – and US-based Peabody Coal. The Atlanta-based Southern Company might find such a package appealing.

Second, there has been a pick-up in US demand for cyclical stocks, compounded by recovering commodity chemicals prices. This suggests a more receptive audience for the spin-off of Quantum and SCM. Indeed, a pre-flotation trade sale of SCM must be a possibility.

Nonetheless, investors should not get carried away. The tobacco, chemicals and energy offshoots may attract bid speculation, but both the energy and residual Hanson businesses will be hamstrung by the future cash outflows associated with the group's £5.5bn of provisions. In addition, US accounting rules will substantially increase Hanson Chemicals' reported tax charge, damaging valuations. Besides, the value of the parts will remain unclear until the full costs of the demerger are revealed.

Israel

Continued from Page 1

a deal arranged by its strongest ally and is suspicious of France's close relations with Beirut, Damascus and Tehran.

The French initiative is a much narrower revival of the July 1993 understandings.

Mr de Charette yesterday dismissed suggestions by Mr Peres that negotiations had to be done by Washington, saying a ceasefire deal would be concluded faster if several channels were used.

But it became clear yesterday separate initiatives have slowed the negotiating process.

UK may ban beef imports

Continued from Page 1

humans, including an order to remove specified offal from carcases, while such measures are not in place elsewhere in Europe.

Other countries which have had BSE are the Irish Republic, Portugal, France, Germany, Italy and Denmark. The number of cases ranges from 124 in Ireland to one in Denmark. Britain has had about 159,000 cases.

The confrontation between Britain and the rest of the EU was further highlighted by confirmation from a minister yesterday that the government was considering refusing to make its regular monthly payments to Brussels. However, this seems unlikely to happen because the EU imposes penalties on countries which pay late, and would almost certainly block further funds to Britain.

Another source of tension is likely to be Britain's reluctance to agree on compulsory slaughter of herds most at risk of BSE. Britain undertook to table proposals for a cull by next Monday's meeting of the EU farm council but the UK agriculture ministry said a selective slaughter was not "definite".

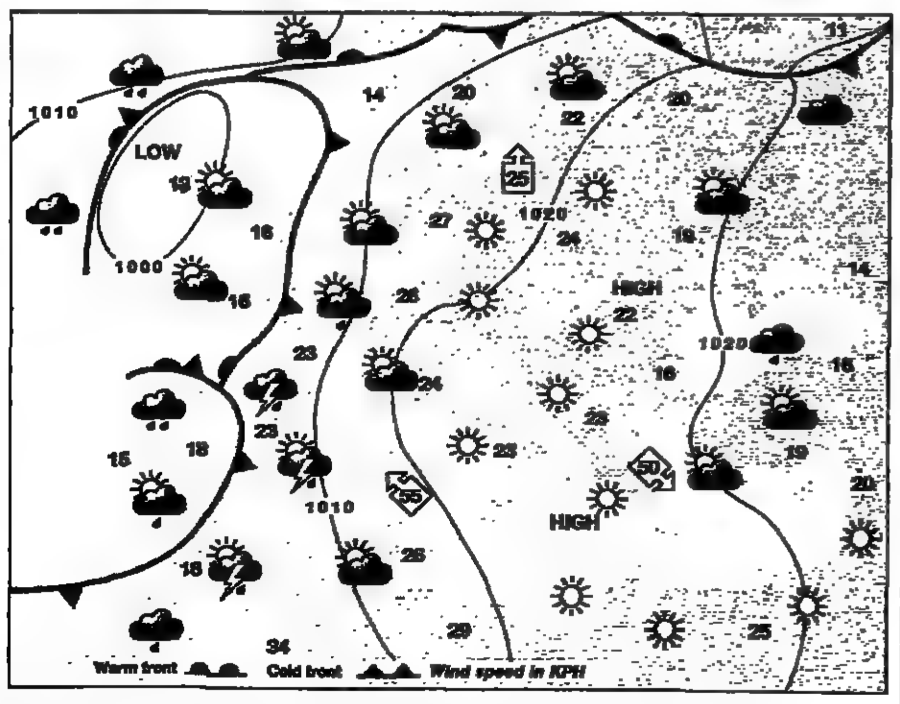
FT WEATHER GUIDE

Europe today

Most of western Europe will remain dry and warm. Southerly winds will cause summery conditions and temperatures above the seasonal average in Germany, Poland and Austria. France, particularly in mountain areas, and Britain will be overcast with showers and some thunderstorms. A low over Ireland will cause unsettled conditions in the British Isles, and some parts of south-eastern Europe will be unseasonably cool and overcast with showers. Italy will be warm and sunny.

Five-day forecast

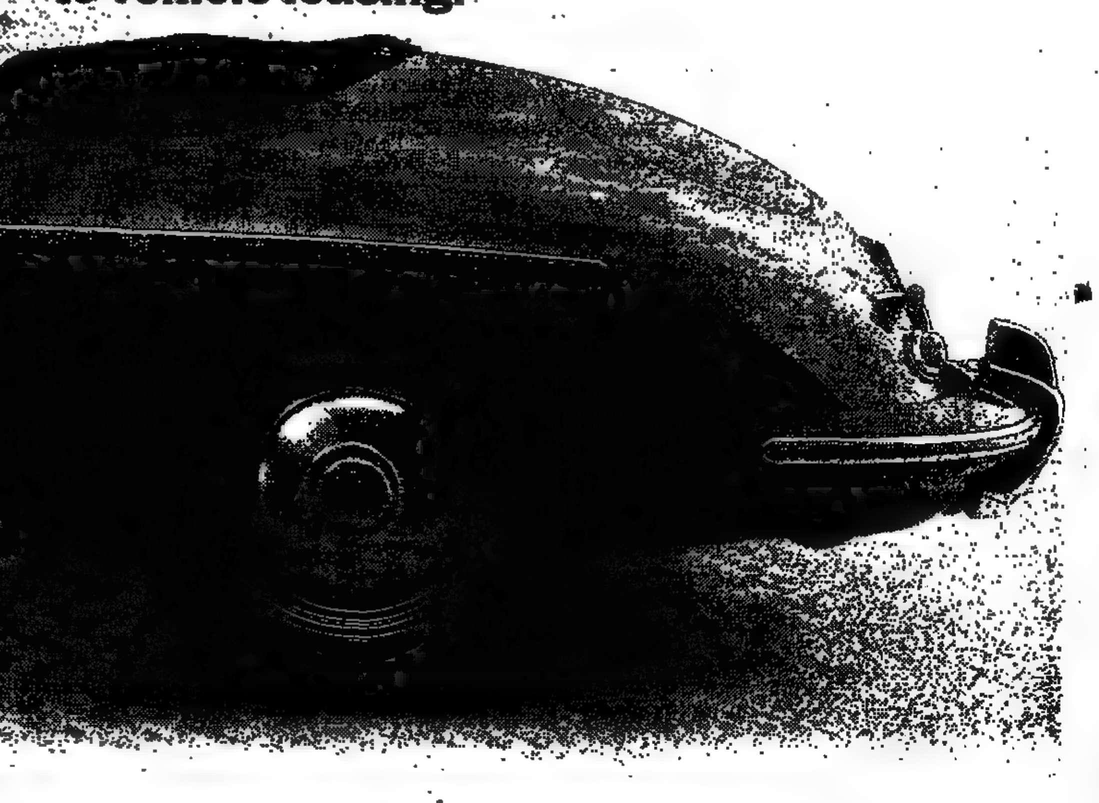
Cooler air accompanied by heavy rain and thundery showers will move into the region. In western Europe midday temperatures will fall to about 17C, except in the south. North-eastern Spain and south-eastern France will remain unsettled during the next few days, with some rain and thundery showers.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum		Beijing	sun	30	Caracas	cloudy	30	Faro	shower	18	Madrid	thund	17	Rangoon	sun	35
	Celsius		Belfast	shower	13	Cardiff	fair	14	Frankfurt	sun	27	Majorca	thund	20	Reykjavik	drzzl	5
Abu Dhabi	sun	37	Belgrade	sun	23	Casablanca	fair	19	Geneva	fair	24	Malta	sun	20	Rio	fair	26
Accra	fair	31	Berlin	sun	28	Chicago	fair	17	Gibraltar	shower	20	Manchester	cloudy	17	Rome	sun	22
Algiers	fair	25	Bermuda	fair	21	Cologne	fair	27	Glasgow	rain	15	Manila	fair	33	S. Frsco	fair	19
Amsterdam	fair	24	Bogota	fair	19	Dakar	fair	25	Hamburg	sun	28	Melbourne	fair	19	Seoul	sun	21
Athens	fair	18	Bombay	sun	33	Dallas	fair	28	Helsinki	cloudy	18	Mexico City	fair	25	Singapore	fair	31
Atlanta	fair	26	Brussels	fair	24	Delhi	sun	38	Hong Kong	shower	24	Miami	sun	29	Stockholm	cloudy	22
B. Aires	fair	23	Budapest	fair	23	Dubai	sun	36	Honolulu	sun	31	Milan	fair	22	Strasbourg	fair	27
B.ham	cloudy	16	C.hagen	fair	19	Dublin	shower	13	Istanbul	drzzl	14	Montreal	rain	19	Sydney	fair	22
Bangkok	fair	39	Cairo	sun	21	Dubrovnik	sun	21	Jakarta	fair	32	Moscow	fair	19	Tangier	shower	19
Barcelona	thund	18	Cape Town	fair	22	Edinburgh	shower	15	Jersey	rain	12	Munich	sun	26	Tel Aviv	fair	20
									Karachi	sun	37	Nairobi	fair	27	Tokyo	fair	15
									Kuwait	fair	34	Naples	sun	22	Toronto	shower	19
									L. Angeles	sun	24	Nassau	sun	28	Vancouver	rain	14
									Las Palmas	fair	23	New York	fair	22	Venice	fair	22
									Lima	fair	24	Nice	thund	21	Vienna	sun	25
									Lisbon	shower	15	Nicosia	thund	18	Warsaw	sun	24
									London	thund	16	Oslo	fair	14	Washington	fair	23
									Lux.bourg	fair	24	Paris	thund	23	Wellington	fair	14
									Lyon	shower	24	Perth	fair	22	Winnipeg	sun	6
									Madeira	fair	19	Prague	sun	26	Zurich	fair	25



FINANCIAL TIMES
COMPANIES & MARKETS

Monday April 22 1996

US store loss pushes Isetan into first deficit since 1961

By Emiko Terazono in Tokyo

Isetan, the Japanese retailer, said it would fall into the red for the 12 months ended March for the first time in 35 years, because of losses resulting from the bankruptcy of its partner, Barney's of New York.

The department store operator said it would post an unconsolidated net loss of Y31.8bn ($297m) – its first since listing in 1961 – because of write-offs of its loans to Barney's, whose Chapter 11 proceedings began in January.

The retailer tied up with Barney's in 1989 in an agreement to help the US store's domestic expansion in return for transfer of product development and other retailing expertise. Isetan claims to have provided the New York retailer with Y61.6bn in investments and loans.

A dispute over the tie-up agreement erupted when Isetan refused to give up ownership of the Barney's stores in the US it helped finance. The sides are locked in litigation, with Barney's filing a suit for $50m against Isetan and the Japanese retailer countering with a $168m lawsuit against Barney's.

Isetan will write off Y30.7bn in loan losses to the Barney's group, and Y3.6bn in valuation losses on its stock holdings of Isetan's wholly owned US subsidiary.

Despite the loss, the company will maintain its annual dividend of Y10 per share while its board members will forego bonuses.

Official earnings for the year to March are due to be released next month, but Isetan said unconsolidated recurring profits rose 11.5 per cent to Y7.1bn and sales increased 0.9 per cent to Y414bn.

On a consolidated basis, the company will post a net loss of Y31bn, despite a net profit of Y2.5bn. Sales are expected to rise 2.4 per cent to Y565bn on a 1.4 per cent decline in pretax profits of Y7.2bn.

Other Japanese high street retailers released mixed results on Friday as those which aggressively cut costs saw a sharp profit rise while some continued to struggle with the effects of the Kobe earthquake which hit the western city in January last year.

Rationalisation helped Mitsukoshi, the country's most prestigious department store, report a 50.8 per cent rise in non-consolidated recurring profits for the year to February to Y5.6bn. Sales fell 1.4 per cent to Y756.6bn. Net profits soared 91.1 per cent to Y2bn.

But Sogo, a department store operator based in western Japan, reported losses for the first time in 36 years, because of the effects of earthquake damage. It reported unconsolidated recurring losses of Y8.3bn for the 12 months to February against a profit of Y1.5bn in the previous year.

Daimaru and Takashimaya results, Page 27

Allianz expansion puts faith in Hong Kong

By John Ridding in Hong Kong

German insurer to invest $500m in Asia-Pacific markets by 1998

Allianz's plans to invest $500m in Asia-Pacific equity markets by early 1998, following the setting up of a Hong Kong asset management arm, marks a strategic expansion in the region and a vote of confidence in the territory's prospects, according to Dr Henning Schulte-Noelle, chairman of the German insurer.

Speaking after the launch of the Hong Kong operation, Dr Schulte-Noelle said that the move reflected the strong growth prospects of Asia-Pacific economies and the company's policy of diversifying investments. He cited Hong Kong's handover to China next year as a consideration, but not a serious concern.

"Our move to Hong Kong was a deliberate decision to demonstrate our confidence in the stability and prosperity of financial services markets of the far east and Hong Kong in particular," said Dr Schulte-Noelle. "China has an important self interest in making sure Hong Kong remains a dynamic financial centre," he added.

The Allianz chairman also expressed optimism about winning Chinese approval for an insurance licence. "There are a lot of indications that we are in a good position," said Dr Schulte-Noelle, hinting that he expected to be given the go-ahead this year.

Allianz has already invested about $250m in Asia-Pacific markets. A further $250m, drawn from the group's European and US insurance subsidiaries, is to be allocated to the region within the next few years.

"By 2000 I would not be surprised if we had $1bn invested in the region," said the Allianz chief.

Hong Kong was selected as the regional base for fund management because of the liquidity of the market, according to Dr Bernd Gutting, managing director of Allianz's Hong Kong asset management operations. He said that the fund management business would initially target blue chip companies.

The Hong Kong operation follows other steps to develop the group's regional activities. Earlier this year, Allianz set up a regional insurance head office in Singapore with the aim of managing the strong growth in business that is forecast. "It is our goal to raise the premiums we generate here from the current DM200m ($134m) to more than DM2bn by the year 2000," said Dr Schulte-Noelle.

With regard to China, the Allianz chairman said that he had been encouraged by meetings with senior government officials during recent months.

Several foreign insurance companies are seeking licences to do business in China, but access has so far been limited to two groups, AIG of the US and Japan's Tokio Marine and Fire.

Japan's leading stocks are poised below the elusive 22,000 mark

Nikkei teeters on the edge of a breakthrough

Financial astrology is in vogue again in Kabuto-cho, the stockbroking district in the heart of Tokyo. Always on the lookout for supernatural inspiration, brokers and investors are snapping up the latest mystical offerings in local book shops. This time the search for spiritual divination of the market's next move is an urgent one: is the Nikkei about to make a long-awaited break-out?

The index of 225 leading stocks is poised, like a wraith before a talisman, in front of one of its most critical numerical barriers.

Having hit a low of 14,485 last summer, the index has been rising steadily since. A recent spurt has now taken it into familiar territory, and it waits just under the 22,000 level. Twice in the past three years the Nikkei has tested this critical point of resistance, and twice it has failed. But this time there is a growing confidence in the market that it can punch a way through.

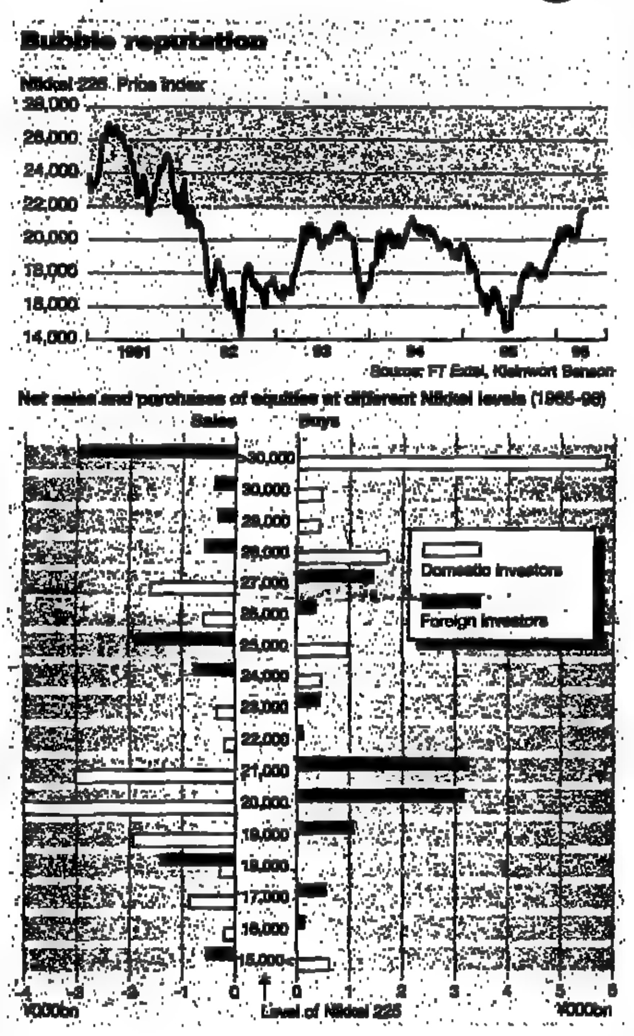
"The consolidation in the market is over. We believe the index will have a strong second quarter of 1996, breaking through previous resistance levels," says Mr Jason James, strategist with James Capel Pacific in Tokyo.

The barrier is a significant one because most chartists believe that once it has been cleared, there is little technical resistance to stop the index rising much higher, back to near bubble highs.

Historical analysis of trading by investors indicates that the 20,000 to 22,000 level on the Nikkei is crucial. For some time the index has been caught in a tug-of-war between foreign buying and Japanese selling. Domestic investors have been consistent heavy sellers of Japanese shares whenever the Nikkei has been between 20,000 to 22,000. Those sales have been met with active buying by overseas investors.

If foreign demand can push the market above that range, there is scope for a sustained further rally. Since, it seems probable, selling will take place only at levels at which heavy buying had previously occurred, the Tokyo stock market should be free of heavy sales until 28,000 – the next level where domestic institutions have bought heavily. "Once we are clear of 22,000, selling by domestic investors will be minor and will not begin again seriously until 28,000," says Mr Ken Okamura strategist at Kleinwort Benson in Tokyo.

Last week the index touched 22,000 for the first time in four years before dropping back.



This week it is expected to renew its attack. Will it succeed?

One factor that suggests it might is that in recent weeks foreign investors have been joined on their end of the tug-of-war by growing numbers of domestic buyers. This month, for the first time, rule changes handed more of the country's pension funds over to investment advisers, away from the cautious life assurers, which have been eschewing equities. Analysts estimate that this deregulation has freed about Y5,000bn ($47bn), of which Y1,000bn is expected to flow into equities.

But this extra impetus to the market may not endure. "Buying by pension funds is not going to last forever and expectations of their buying already seems to have been discounted into share prices," says a fund manager at Tokio Marine and Fire Insurance, the country's largest non-life insurer. Investors coming into the market now are unlikely to see short-term gains, he says.

The index is in a tug-of-war between foreign buying and Japanese selling

Instead, the bulls point to a more solid foundation for the proposition that the market can break through the barrier – the real reason behind the optimism in the stock market, Japan's strengthening economic recovery. At the end of last year gross domestic product grew at its fastest rate for five years and the momentum seems to have continued. This should translate into a healthier profits picture than the country has seen for half a decade.

Japanese companies will announce their annual results next month and reveal forecasts for the year to next March. "We are predicting an upward revision of pre-tax earnings for the current year from the previous consensus of 15 to 20 per cent growth to a 25 to 30 per cent year-on-year rise. This should push share prices higher," says Mr Tetsuro Nomura at Dai-Ichi Life.

Certainly, if the economy were to return to anything like normal rates of growth, the Nikkei's continuing rise might be justified.

Yet the weight of domestic opinion still seems cautious for a number of reasons. The translation of earnings into higher prices may not be so easy. Valuations are looking stretched again, even discounting this rate of profits growth.

And there are negatives that could spoil the picture completely. Banks, which account for more than a quarter of the total index, are about to report their biggest losses ever, and the recent data indicating weakness in US semiconductor demand could affect Japanese high-technology companies, triggering a downward revision in overall earnings for the manufacturing sector.

The other imponderable is interest rates. The apparent bottoming out of US rates poses a risk for Japanese equities. Among foreign investors, US mutual funds have bought more than $20bn a month. Indeed, Tokyo was badly shaken by uncertainty over the course of the US economy when the release of unexpectedly high employment figures jolted Wall Street last month. If Japanese interest rates were to rise too, equities would start to look expensive again.

These concerns explain why the market has not yet broken through its invisible barrier. Japanese fund managers were so badly burned on the way down from the bubble highs of six years ago that their attitude is still one of caution. It may yet take another great haul from outsiders before they can be persuaded to shift.

Gerard Baker and Emiko Terazono

Bearish Buffett increases size of stock offering

By Maggie Urry in New York

Heavy demand for a proposed share issue by Mr Warren Buffett's Berkshire Hathaway investment and holding company has forced it to increase the size of the offer – even though Mr Buffett has made clear he thinks the US group's shares are over-priced and he would not buy them. The company says it has no immediate need for funds from the issue.

On Friday Berkshire amended its Securities and Exchange Commission filing to increase the offer from 100,000 shares to 250,000, which could raise $275m.

But in a filing with the SEC earlier this month, Mr Buffett and Mr Charles Munger, vice-chairman of Berkshire, said neither of them would buy the shares at their current price, "nor would they recommend that their families and friends do so".

They say the group cannot continue to raise its per-share book value "at even close to its past rate" and warn the share price will encounter "periods of underperformance, perhaps substantial".

In a highly unusual prospectus, the group tries hard to deter investors. Even so, demand appears to have outstripped the proposed issue size.

The filing said the issue's size would be tailored to satisfy demand, so buyers seeking quick profits "are almost certain to be disappointed".

The new class of B shares are to be issued, depending on shareholder approval at the annual meeting on May 6, to undermine attempts by some investment firms to set up unit trusts investing in Berkshire shares. Mr Buffett has always been reluctant to split the company's stock although the price of $33,300 at Friday's close is out of reach of many investors.

He decided to issue the B shares at a price of one-thirtieth of existing shares, which will be reclassified as A shares, to allow smaller investors to buy directly rather than through the proposed unit trusts. The A shares will also be convertible into B shares.

Berkshire had proposed the issue of 100,000 B shares, with Salomon Brothers, the underwriter for the issue, having the right to buy a further 15,000. However, on Friday the SEC filing was amended to increase the proposed issue to 250,000 shares, with an option for Salomon to buy another 37,500.

The draft prospectus says the company has no plans for the money raised, but expects eventually to make acquisitions and to augment the capital of its insurance activities.

It says sales commissions to brokers have been "set at the lowest commercially reasonable level, so that dealers have less incentive to solicit customers". Salomon says in the filing it does not intend to stabilise the price after the issue by buying or selling shares.

The offer timetable includes a book-building period between May 8 and May 21, with the issue due to be priced after the market closes on May 22.

INSIDE

Graninge

Electricite de France, the French state energy utility, has effectively won control of Graninge, the Swedish power company, after a battle with Sydkraft, Sweden's second-largest power supplier. The move is the latest stage in the struggle for pre-eminence in the newly-deregulated Nordic power market.
Page 27

Cable and Wireless

Sir Peter Bonfield, chief executive of British Telecom, is well known in business circles, but Mr Rod Olsen (above), his counterpart at Cable and Wireless, remains something of an enigma. As the details of a possible merger of the two telecoms companies are thrashed out between these two, attention has been focused on Mr Olsen's experience and negotiating skills.
Page 26

Fund Management

The state of Connecticut astounded the US pension fund industry earlier this year by sacking nearly all of the 47 investment management companies between which its $12.6bn pension fund was divided – reversing a trend in the 1980s when funds appointed more and more specialised managers to handle different asset classes.
Page 30

Faces

After 12 years as president and chief executive of T. Rowe Price, the US mutual fund group, Mr George Collins, 55, is quitting to indulge his passion for sailing. In spring next year he will be leaving to skipper a boat in the Whitbread round-the-world yacht race. Mr Collins is used to challenges, having turned T. Rowe Price into one of the biggest mutual fund companies in the US.
Page 30

UK generator poised to acquire power distributor

By Patrick Harverson in London

National Power is expected to announce today an agreed £2.6bn ($3.95bn) acquisition of Southern Electric, the UK regional electricity company, in a move the generator hopes will bolster its defences against a likely hostile takeover bid from Southern Company, the US utility.

National Power is also believed to be considering returning some of the money it will receive from the £1.7bn sale of three power stations to Hanson, the UK conglomerate, to shareholders via a special or enhanced dividend or a buy-back. The sale of the stations was confirmed late on Friday.

In another development, National Power is on the verge of spending $360m on acquiring generating capacity in Pakistan and the US. The group believes the deals will underline the success of its international strategy and act as a further buttress against the Georgia utility.

The revival of the bid for Southern Electric – the deal lapsed when it was referred to the Monopolies and Mergers Commission in November – will form the core of National Power's defence against any Southern Company bid.

Although Mr Ian Lang, UK trade and industry secretary, still has to rule whether the bid should be allowed – it would represent the first vertical integration of the electricity industry since privatisation in 1991 – the generator is confident of receiving approval and believes a quick conclusion of the deal would unsettle Southern Company.

The US group, which unveiled its interest in a merger with National Power last week, does not want to acquire Southern Electric. It already owns Sweb, the south-west supplier, and believes if it bid for National Power the government might refer the deal to the MMC.

Although industry sources believe Mr Lang could rule on the MMC's decision to approve the National Power bid for Southern Electric (and the separate PowerGen bid for Midlands Electricity) as early as this week, National Power fears Southern Company may launch a formal offer before the ruling is made public.

The two international deals were initiated before the US group arrived on the scene, but National Power hopes they will convince shareholders that it can broaden its international presence without help from Southern Company.

The $210m purchase of a 26 per cent stake in the Kot Addu dual-fired station is expected to be confirmed this week, and the generator is confident that its $150m bid for a Massachusetts power station will be accepted soon.

STATISTICS

COMPANIES IN THIS ISSUE

The enigma at the top of C&W

Alan Cane analyses the man who may create the world's first global telecoms operator

An explosion of interviews and features have made Sir Peter Bonfield, British Telecommunications' new chief executive, the business equivalent of a household name. His counterpart at Cable and Wireless, Mr Rod Olsen however, remains something of an enigma.

The details of a merger between the two companies, if one should come about, are being thrashed out by these two individuals, which makes Olsen's experience and negotiating skills of more than passing interest.

He is no stranger to the City where, as C&W finance director since 1987, he was recognised as a competent and conservative operator. Since November last year when C&W's former chairman and chief executive, Lord Young of Graffham and Mr James Ross, were bundled out after an embarrassingly public disagreement, Mr Olsen has been acting chief executive, responsible not only for restoring stability but also for negotiations which could lead to the formation of the world's first truly global telecoms operator.

Five months is too little time to assess Olsen's mettle as chief executives, but observers give guarded approval to his performance. One analyst said he was "surprisingly impressed," while another pointed to the similarities of style and personality between Olsen and Bonfield: "There is an affinity between the two which augurs well for the merger talks," he said.

Olsen is forbidden by Takeover Panel rules from discussing the proposed merger. He is, however, prepared to talk about the management changes he has overseen at C&W since the departure of Young and Ross: "We have got away from a management by consensus approach, which was very much the style under James Ross, to management by accountability. Many of the committees have been cut away and much of the travelling. We use video-conferencing to talk to the US and Hong Kong.

"It also made people aware that 124 Theobalds Road [C&W's London headquarters] actually exists as more than a morass of minutes of committees and meetings."

He says that clarifying the goals and objectives of the company was an important step forward. The company is now driven in its chosen markets by five principles: the delivery of quality service at a competitive price, the provision of innovative solutions, the deployment of leading-edge technology, exploitation of the group's global presence and development of its partnering skills."

Olsen says: "I believe I can go to almost any senior manager and have a conversation about what he or she is doing in relation to these principles. There is a cascade that runs right down the group from this high level to individual business units and individual strategy and tactics; it extends to performance levels and bonuses."

Olsen, 50, was born and brought up in New Zealand where he turned his back on the family farming business in favour of book-keeping.

A broad-based business studies course at Victoria University in Wellington led to a job with the accountancy firm then called Peat Marwick Mitchell. It sent him to Hong Kong where he developed an enthusiasm for the eastern way of doing business. "You can make business decisions very quickly and there is no sense of envy at what other achieve."

He joined C&W in 1977, in 1986 he was appointed to the board as director, Far East. He returned to London as finance director after extracting promises that the job would entail as much strategy as number crunching.

It is this, perhaps, which explains his slight irritation over suggestions that C&W is "rudderless" while it seeks a permanent chief executive. He had been effectively chief operating officer before the Young and Ross debacle.

Olsen makes it clear that he believes C&W is right to cast its net wide in seeking a permanent chief executive, but he is equally clearly enjoying the role: "If we cannot find the right person, although I believe that is highly unlikely, I would be more than happy to carry on doing what I'm doing now."

Rod Olsen: 'We have got away from management by consensus'

WEEKEND SHARE WATCH

A digest of Saturday and Sunday comment on UK companies

■ Financial analyst Terry Smith has launched a "hard-hitting" attack on Carlton Communications over its treatment of goodwill after a string of acquisitions, according to the Sunday Times.

Yesterday Mr Smith said the revised edition of his bestselling book, Accounting for Growth, to be published in July, would suggest that if goodwill written-off is added back, the media group's average return on capital last year would have been 8.5 per cent, not 40 per cent. He said he was not criticising Carlton's accounting practices per se - though their returns were "inadequate" – but the UK accounting system which allows goodwill to be written off.

■ Marks & Spencer yesterday dismissed a report in Sunday Business that it was holding crisis meetings after customer rejection of the summer womenswear collection. Mr Brian Hudspith of M&S said that there would be meetings, as the group reacted as normal to changing circumstances: "Some seasons are not so good – our reaction is the same." But to use the word crisis was "artistic licence". The group would be happy to be judged on its record when the results were reported next month.

■ Harrods, the Knightsbridge store, is considering flotation at a valuation of more than £1bn, according to the Sunday Times. Mr Michael Cole, public relations director, said yesterday that the group was "not going to feed rumours nor engage in speculation."

■ Reckitt & Colman said a Sunday Business report that SmithKline Beecham was stalking its pharmaceutical business was "absolute speculation." The report said SB had twice this year offered £700m for the over-the-counter drugs business, including Lemsip, Gaviscon, Disprin and Dettol.

■ WH Smith is planning a £200m rights issue as part of a restructuring programme following the strategic review by Mr Bill Cockburn, the new chief executive, according to Sunday Business. The group refused to comment yesterday on what it called market rumour. Last week it sold its business supplies division for £142m, reducing gearing to 5 per cent, and analysts commented that a rights issue would now prove unlikely.

Eurotunnel likely to hail increase in traffic

By Geoff Dyer

Eurotunnel, the Anglo-French operator of the Channel tunnel, will attempt to use the publication of its annual results today to emphasise the success of its passenger and freight operations.

But with analysts expecting losses of anywhere between £700m and £900m for 1995, attention will inevitably fall on the disastrous financial position. In particular, Sir Alastair Morton, co-chairman, will be under pressure to explain why refinancing talks with the group's 225 banks have stalled. Leading banks in the syndicate report the talks are deadlocked while they await detailed long-term revenue forecasts. The appointment in February by a French court of two mediators has also held upprogress. Eurotunnel, however, insists that the talks are still taking place with the steering group of banks – the six banks which are leading the negotiations for the syndicate.

However, the slow progress of the talks can be seen by the fact that the company has not updated the instructing group of banks – the 25 biggest banks in the syndicate and the next layer in the negotiations – for nearly two months.

Meanwhile, Eurotunnel's recent traffic numbers have impressed analysts. Last month it carried twice as many cars and trucks as in March last year, and achieved a record of 50,000 passengers on the last Saturday of the month.

McCormack to set up branded golf courses

By Tim Dickson

Mr Mark McCormack, promoter and manager of sports events and personalities, has signalled his ambition to develop a portfolio of branded European golf courses.

McCormack, 66, founder of the IMG group, is making his UK stock market debut with a reverse takeover of the struggling property company Union Square and the acquisition for £8.1m of two golf courses in the Algarve.

Behind the deals lies a belief that the European golf property sector is ripe for consolidation and the market for televised golf in Europe is under-exploited.

Courses acquired or completed by the newly-restructured group will be capable of hosting televised tournaments, a business in which Mr McCormack is well placed to participate through Trans World International, IMG's television division.

Under the terms of the deal, PGA European Tour Golf Courses (IMG) – a company jointly owned by Mr McCormack's IMG group and the professional golfers who play on the annual PGA European tour – is to be acquired by Union Square for £14.77m through the issue of shares amounting to 33.25 per cent of the enlarged capital. IMG and Tour Properties have agreed to subscribe for additional shares which will take their combined stake to 39 per cent.

Mr Richard Thompson, whose family interests will control 23 per cent of the enlarged capital after an institutional placing of £10m shares, will remain as non-executive chairman and Mr McCormack will join the board as a non-executive director. Mr Sean Kelly, who is leaving IMG after 12 years, will be the new managing director.

PGA European Tour Courses, as Union Square will now be known, already owns Collingtree Park golf course in Northampton, a 50 per cent stake in Stockley Park near Heathrow Airport and interests in courses in Sweden and Germany.

NEWS DIGEST

Ennemix defends 50p valuation

Ennemix, the aggregates company rejecting the hostile bid by Redland, has defended the report that supported a valuation of its assets as 50p a share, and rejected Redland's final bid of 35p a share.

The Redland bid values Ennemix at about £6.4m but the Ennemix board told shareholders over the weekend: "Redland's final bid grossly undervalues your company, representing as it does a 30 per cent discount to the real value."

Ennemix directors, who hold 27 per cent of the company, have said they will not accept the bid. They asked Smiths Gore, the chartered surveyors, to value Ennemix's minerals, land and related buildings and Redland has questioned the value of 50p a share claimed for its assets by Ennemix as a result of that report.

Mr Gerald Berwick, Ennemix chairman, has written to shareholders saying: "Smiths Gore have written to your board firmly rebutting those assertions and confirming the net asset value of 50p."

He told them that Ennemix's 6.3m tonnes of consented reserves, including landfill potential, were given a preliminary indicative value by Redland of a mere £2.3m but Smiths Gore's red book valuation valued the same assets at £5.636m.

He also told them that Mr Timothy Ross, formerly chief executive of George Wimpey's minerals division, would be joining the board as a non-executive director. *Martin Brice*

MBOs outperform

Management buy-outs that have floated have outperformed the FT-SE-A All Share index by 25 per cent, according to a report published yesterday. The report by the Centre for Management Buy-Out Research at Nottingham University said MBOs floated last year have risen by 25 per cent. The CMBOR index has increased by 118.7 per cent since December 1990, while the Hoare Govett Smaller Companies index has increased by 79 per cent.

The number of MBO flotation millionaires has declined from 75 to 55, reflecting a sharp decline in the importance of flotation as a means of giving employees the opportunity to own shares.

Just over a quarter of executive directors, a similar proportion to 1994, had share stakes worth less than £250,000 on flotation. The 29 MBO floats during 1995 is a significant fall on the 49 of the previous year and the 36 of 1993. *CMBOR quarterly review, Deloitte & Touche Corporate Finance at the University of Nottingham.*

Bank chairman received £1m

The salary and other benefits of Mr John Gray, chairman of Hongkong Bank, increased from £880,000 to £1m last year, according to the annual report of HSBC Holdings. HSBC said Mr Gray, was based in Hong Kong and his renumeration package included housing and other expatriate benefits in kind. He retires in May. Total emoluments of Sir William Purves, HSBC chairman, increased from £633,000 to £680,000. HSBC reported pre-tax profits of £3.672bn last year, up from £3.166bn in 1994. *Ralph Atkins*

In brief

■ FORTUNE OIL: Strong trading helped Fortune Oil more than double profit after tax from £1.06m to £2.17m on turnover up 57 per cent to £93m for 1995. The Hong Kong-based group, which has exploration and crude oil and gas production interests, saw trading division increase profit 52 per cent to £2.4m on revenues 50 per cent higher at £87.2m.

COMPANIES AND FINANCE: INTERNATIONAL

OTE sale sharpens investor appetite

By Kerin Hope in Athens

The launch of OTE, Greece's state telecoms monopoly, on the Athens stock exchange last week is expected to sharpen investor appetite for more large public offerings this year.

The Socialist government plans several more offerings this year but the timetable may be affected by uncertainty over meeting inflation and deficit reduction targets.

A jump in inflation, which reached 9.1 per cent in March, has slowed cuts in interest rates on government paper.

One Athens-based analyst said: "Confidence in the overall economic outlook must remain strong in order to keep up momentum for more listings."

Shares in OTE closed at Dr4,320 on Friday, the first day of trading, after quickly reaching the 8 per cent ceiling on daily price movement set by stock exchange authorities.

Greek mutual funds, which had to compete for shares with international institutions during last month's public offering of 8 per cent of OTE's equity, were aggressive buyers, according to local brokers.

The shares' strong performance gives OTE a market capitalisation of Dr1,720bn ($7.1bn), four times larger than the next largest Greek stock. OTE shares are expected to make up 10 per cent of the bourse index when it is revised next month.

OTE forecasts a 27 per cent increase this year in pre-tax profits to Dr259bn with sales up 17 per cent to Dr659bn.

The company is expected shortly to name an adviser on setting up a mobile telephony network using the DC1800 system. Shortlisted contenders are CS First Boston and a group led by Alpha Finance, the investment banking arm of Alpha Credit Bank, Greece's largest private bank.

OTE is looking for an international partner to take a 20-25 per cent equity stake in the Dr100bn project.

OTE is only the second state corporation to be floated on the Athens stock exchange, following the listing three years ago of 30 per cent of Hellenic Sugar, the monopoly sugar producer, which raised Dr7bn.

However, investors' fears that a listing of OTE's size would swamp the Athens bourse appear to have been replaced by impatience for another large public offering.

The next corporation slated for flotation is DEP, the holding group for state-owned oil and gas producers. The state plans to raise some Dr25bn by listing 10 per cent of the company at the end of the year.

National Bank of Greece plans a Dr50bn rights issue this year, while plans are under way for privatising several state-controlled banks listed on the Athens bourse through capital increases.

Banco Santander buys 3% stake in Endesa

By Tom Burns in Madrid

Banco Santander, Spain's leading banking group, has paid Pta50bn ($400m) to become the biggest single private shareholder of Endesa, the dominant domestic electrical utility which is 66 per cent government-owned.

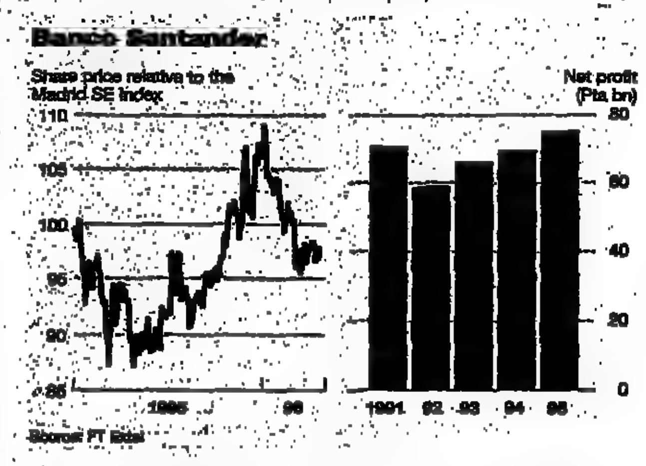
The acquisition of the 3 per cent stake marks a surprise departure from Santander's traditional strategy, which has been to disinvest from industrial assets and to concentrate on building up its presence as a diversified and increasingly internationally-based financial institution.

The development also brings Santander into an informal alliance with fellow domestic bank Banco Hispano Americano (BCH) which owns 1 per cent of Endesa and is due to increase its stake to 3 per cent.

Santander, which has been discreetly buying Endesa shares on the market over the past months, said it acquired its stake because Endesa was a profitable and well managed company with complementary investments to Santander in Latin America and in the telecommunications sector.

Endesa raised consolidated net profits nearly 13 per cent to Pta132.7bn in 1995, a year when it spent a total of Pta32bn to acquire an electricity distributor in Argentina and a generating plant in Peru. Santander's wide-ranging interests in Latin America, which include banking units in Peru and Argentina, were underlined earlier this month when it created Chile's biggest financial institution in a carefully-crafted merger and acquisition move.

By becoming a core shareholder of Endesa, which has the biggest weighting in the domestic stock market, Santander has put itself in a position to lead further disposals of state-owned stock in the utility. A disposal is considered likely in the coming months to help the government reduce the budget deficit.



Analysts however suggested that Santander's acquisition of Endesa shares could be part of a more ambitious plan that would bring the banking group alongside an ongoing alliance between the utility and BCH.

This alliance, which was announced last summer and has still to be fully implemented, involves significant assets swaps between Endesa and BCH and the pooling of their industrial interests.

In return for BCH's purchase of Endesa shares, Endesa has bought 5.5 per cent of Cepsa, Spain's second-ranked energy group which is controlled by BCH, and both BCH and Endesa have pooled their stakes in a number of interests, including Airtel, Spain's second mobile telephone operator.

Santander owns a 13.7 stake in Airtel, the same as BCH, and Endesa has 7.8 per cent of the cellular group. Should Santander chose to return to its role of industrial investor with a select portfolio of high-yielding assets, its path would be eased by linking into the long-term strategy of Endesa and BCH.

EdF sidelines Sydkraft in battle for Graninge

By Greg McIvor in Stockholm

A new round in the increasingly frenetic and international struggle for pre-eminence in the newly-deregulated Nordic power market saw Electricité de France, the French state energy utility, effectively win a battle against Sydkraft, Sweden's second-largest supplier, for control of Graninge, the Swedish power company.

At the end of a week in which shareholdings in several Swedish power suppliers have changed hands on a near-daily basis, EdF said it had reached agreement with the Versteegh family, which owns 19 per cent of Graninge, that the two would in future vote together on management issues.

The deal sidelined Sydkraft, which had the previous day bought a 20 per cent share in Graninge, Sweden's sixth-largest energy supplier.

At the same time, Preussen Elektra, the German power group, disclosed on Friday it had purchased a 12.4 per cent stake in Graninge for around SKr1.2bn ($179m). The German company, which also owns 17.4 per cent of Sydkraft, said the deal was a deepening of several years' involvement in the Swedish power sector.

Meanwhile, Imatran Voima (IVO), the state-owned Finnish energy group, increased its holding in Gullspangs Kraft, a regional Swedish power supplier, from 34 to 38.7 per cent for SKr455m. The stake gives IVO 50.1 per cent of the voting rights in Gullspangs Kraft.

The latest burst of activity follows the liberalisation of the Nordic power industry at the turn of the year, which created the world's largest deregulated electricity market.

The IVO move was seen as a direct challenge to Sweden's state-owned and biggest electricity producer, Vattenfall, which itself has moved into the Finnish market. Vattenfall responded immediately by buying a 10.7 per cent stake in Gullspangs Kraft for SKr988m.

Mr Tom Allerbrand, Vattenfall chief financial officer, said: "We want, and we intend, to play an active role in this very rapid restructuring of the Nordic market. We just can't sit on the sidelines and watch while this goes on."

Mr Olof Wikström, Gullspangs Kraft chief executive, said there was space for Vattenfall alongside IVO. "We have good relations with Vattenfall and moreover they will have a very limited influence. There will not be any practical problems," he stated.

Banamex hails start of 'return to normal'

By Daniel Dombey in Mexico City

Banco Nacional de México (Banamex), Mexico's largest bank, last week hailed first-quarter results as "the beginning of a return to normal operating conditions".

The bank posted net income of 575m pesos ($76m) for the first quarter, less than the 670m pesos recorded in the fourth quarter, but comparing favourably with 442m pesos in the same period last year.

Grupo Financiero Banamex-Accival (Banacci), the parent company, achieved operating profits of 751m pesos, against 823m pesos for the fourth quarter and 561m pesos for the first quarter of 1995.

The bank said that after the turbulence in the wake of the December 1994 devaluation of the peso, net interest margins, loan provisioning, and capitalisation were resuming previous levels. But Banamex is carrying out no new net lending and non-performing loans are still growing, although at a diminished rate.

Analysts drew attention to the bank's policy on loan-loss provisioning, since Bancomer, Mexico's second largest bank, took a first-quarter loss to increase past-due loan provisioning to 100 per cent.

Banamex increased provisioning by 2.7bn pesos, lifting loan-loss provisions and unpegged general provisions. Reserve coverage stood at 64 per cent of past-due loans, although it said the figure would be higher if past write-offs were included.

"We estimate that to get 100 per cent reserve coverage of past-due loans, Banamex would have to put an additional 1bn pesos into loan-loss provisions," said Ms Laura Berdeja, an analyst at Santander Investment Securities.

"It is a choice between having no [shareholder] dilution and profits with comparable reserve coverage of close to 80 per cent or having 100 per cent coverage for loan-loss provisions," said Mr Luis Miguel Rodriguez, a Banamex spokesman. "We're very happy with the course we have taken."

NEWS DIGEST

Mercedes may make more cars abroad

Mercedes-Benz, the German luxury car and truck maker, could be making between 20 and 25 per cent of its cars abroad within the next 10 years compared with about 5 per cent at present, Mr Helmut Werner, chairman, said. In an interview with Der Spiegel, the German news magazine, Mr Werner said the company, which is a subsidiary of Daimler-Benz, was negotiating about production in China, Korea and Vietnam.

Meanwhile, Daimler-Benz Aerospace (Dasa), another Daimler-Benz unit, said it was negotiating with several interested parties about the sale of its Dornier Luftfahrt turbo-prop aircraft business. Dasa declined to comment on a report in Der Spiegel that Fairchild Aircraft of the US was negotiating to take over Dornier's Do328 30-seater airliner project.

Peter Norman, Bonn

Austrian Airlines in the black

Austrian Airlines (AUA) reported its first operating profit in five years at Sch64.9m ($6.1m) for 1995 compared with a Sch192.3m loss for 1994. Group net income leaped from Sch8.9m to Sch306.4m. The figures for both years were boosted by the legally required reserves reductions. Profit from financial investments contributed Sch176m to net income. Turnover jumped 20.5 per cent from Sch11.bn to Sch13.3bn because of higher passenger volumes. But average ticket prices continued to fall, and the passenger load factor edged down from 61.4 per cent to 59.7 per cent. Unit costs dropped 14 per cent.

Eric Frey, Vienna

First-quarter fall at SSAB

Weak demand and falling prices in west European steel markets hit first-quarter profits at SSAB. Scandinavia's biggest steel producer, driving pre-tax earnings down 28 per cent in the first three months from SKr1.7bn to SKr844m ($126m). Mr Leif Gustafsson, chief executive, expected steel consumption in western Europe to decrease during the year, reducing prices further. He said the combination of these factors with a strengthening of the Swedish krona would result in a fall in steel profit margins. Turnover in the first quarter fell from SKr4.83bn to SKr4.77bn, with lower prices and volumes cancelling out the effect of acquisitions.

Hugh Carnegy, Stockholm

Japanese stores mixed

Damage caused by the Kobe earthquake hit parent current earnings at Daimaru, the Japanese stores group in 1995-96. Earnings fell 17 per cent to Y3.2bn ($30m) on sales down 2.4 per cent to Y508.5bn. Net profits totalled Y5.1bn against losses of Y8.9bn a year earlier. For the 12 months to next February, the retailer expects recurring profits to rise 40.6 per cent to Y4.5bn on a 0.3 per cent increase in sales to Y510bn.

Takashimaya, another stores group, saw sales and profits rise following reorganisation. Unconsolidated recurring profits rose nearly four-fold to Y10.3bn while sales jumped 36.4 per cent to Y885.8bn. After-tax profits doubled to Y8.1bn. The company expects recurring profits to rise 28.5 per cent in the current year to Y13.2bn on sales of Y1,088.3bn, up 22.9 per cent.

Emiko Terazono, Tokyo

UBS in Amsterdam

UBS Securities, the trading arm of Union Bank of Switzerland, will tomorrow become the first "remote" member to deal in equities on the Amsterdam Stock Exchange without a physical presence in the Netherlands.

George Graham, Banking Correspondent

COMPANIES AND FINANCE: INTERNATIONAL

GEC Alsthom and Siemens in train venture

By Stefan Wagstyl, Industrial Editor

GEC Alsthom, the Anglo-French engineering group, and Siemens of Germany are joining forces to market high-speed trains in Asia and other markets outside Europe and North America.

They are opening joint offices in Taipei and Beijing to co-ordinate bids for projects including the planned Beijing-Shanghai high-speed rail link.

Most of the work from any contracts won by the joint offices will go to GEC Alsthom, which has already achieved commercial success in Asia, having last year won an order for South Korea's high-speed line between Seoul and Pusan.

The joint marketing agreement, signed recently after more than six months of talks, could help rationalise resources in the very demanding market for high-speed trains, in which there are only three big international competitors. These are GEC Alsthom, a joint venture between Britain's GEC and Alsthom of France; Siemens; and a Japanese consortium including Mitsubishi Heavy Industries.

GEC Alsthom builds the TGV, France's flagship high-speed train; a partnership between Seimens and AEG, the engineering affiliate of Daimler Benz, is responsible for the German Inter City Express; and the Mitsubishi consortium builds Japan's bullet train.

All the producers have found it difficult to sell their trains outside their home countries. GEC Alsthom has had the greatest international success, having supplied trains to Spain as well as South Korea.

GEC Alsthom said the venture would enhance the two companies' competitiveness in markets throughout the world, particularly in Asia.

The division of work would reflect the companies' existing relative positions in Asia and other markets outside Europe and North America, said GEC Alsthom executives. In Europe and North America, the two companies plan to continue to compete with each other.

The pooling of resources is a response to the long lead times involved in high-speed train contracts, which are often preceded by negotiations lasting up to 10 years. However, success brings large orders creating years of work.

The $2.1bn order won last year by GEC Alsthom for 46 TGV trains for the Seoul-Pusan link will not be completed until 2002. It is already preparing for possible orders for trains for a second line from Seoul to the south western port of Mokpo, which may not be built until after 2005.

However, the chances of winning a second Korean contract will be limited by the fact that under last year's agreement the company is transferring technology to a Korean consortium of the Hyundai, Daewoo and Hanjin groups. The contract also allows the Korean consortium to market trains in other Asia countries.

GEC Alsthom hopes further advances in technology will mean potential buyers may still prefer its European-made trains to those produced in South Korea.

Rothschild to advise Slovakia on telecom sale

By Vincent Boland in Prague

N.M. Rothschild, the UK investment bank, has been selected by the government of Slovakia to advise on the initial phase of the country's flagship privatisation – that of Slovenské Telekomunikácie (Slovak Telecom), the state telephone operator.

Rothschild was chosen from a shortlist of four banks to advise on how the privatisation should proceed and on what regulatory and price changes need to be made. Options include introducing a foreign strategic partner to Slovak Telecom, as the Czech and Hungarian governments have done for their state operators, or selling a stake either in an international public offering or directly to institutional investors.

The first phase of the project is being funded by the World Bank and is expected to be completed by September 30. The government will then decide which option to pursue. Officials have previously indicated that a stake of between 15 and 25 per cent of Slovak Telecom will be offered for sale, possibly early next year.

Rothschild's mandate does not extend to the second phase but it is almost certain to win that role too. It has wide experience in telecoms privatisation and advised Hungary on the sale of Matav in 1993.

Rothschild was chosen by Slovakia ahead of Deutsche Morgan Grenfell, Union Bank of Switzerland, and J.P. Morgan, which advised the Czech government on the sale of a stake in SPT Telecom last year. The bank has also secured a role in the task for Consilium, an investment banking joint venture it formed in 1994 with Ceskoslovenská Obchodní Banka, the Prague-based bank partly owned by the Slovak state.

The privatisation of Slovak Telecom is part of a $1.5bn investment and modernisation programme for the country's telecommunications infrastructure over the next five years, which was approved by the government last December. The aim is to increase the number of lines from 20.7 per 100 people currently to 35/100 by the end of the decade.

Much of the finance for the programme will be raised by the sale of the stake, the entire proceeds of which will go to Slovak Telecom, officials said.

NEWS DIGEST

Strike at GM hits Hughes Electronics

The 17-day strike at General Motors resulted in a near-10 per cent fall in operating earnings at Hughes Electronics, its electronics and aerospace subsidiary, to $385m in the first three months of this year. The strike is also likely to cause a sharp decline in earnings for the parent group, which are released today.

Revenues in Hughes's automotive electronics business fell 15 per cent to $1.8bn and operating profit by 37 per cent to $159m. Meanwhile, the growth of DirecTV, its satellite television venture, and higher satellite transponder sales, led to a 45 per cent rise in revenues from telecommunications and space businesses, to $336m. Operating profit climbed by $43m to $75m. Following a $72m gain on the sale of a stake in DirecTV, Hughes reported a 16 per cent rise in overall net income to $312m, or 78 cents a share.

Richard Waters, New York

Westinghouse makes provisions

Westinghouse Electric, the US industrial conglomerate in the throes of transforming itself into a media group, announced further steps aimed at putting past troubles behind it, resulting in after-tax charges of $813m. The charge, half of which is due to accounting and other non-cash moves, will still leave Westinghouse with a net gain of $530m to shareholders' funds for the first quarter of this year, because of the sale of its defence electronics business and the Knoll furniture company.

The actions announced on Friday include a plan to sell its environmental services business, which the company predicted would bring cash proceeds of $300m–$500m; a reserve to cover some old litigation issues; and three accounting changes, which between them will cause $188m of the after-tax charge.

Richard Waters

Restructuring limits Kellogg

Kellogg, the US breakfast cereal company facing the threat of a price war in its domestic market, reported a 5 per cent increase in net profits to $206.1m in the first quarter. The company said the increase would have been 11 per cent without the continuing costs of a restructuring announced last year. Last week, Philip Morris's Post cereal subsidiary slashed prices by 20 per cent in a bid to boost market share. Kellogg has not so far responded. It has been suffering an increasing encroachment into its market by cut-price, private label cereal products. Kellogg said revenues rose 4 per cent in the latest quarter to $1.79bn and global volume also rose 4 per cent. Earnings per share were up from 89 cents to 96 cents.

Richard Tomkins, New York

MIM in Highlands Gold offer

MIM, the Queensland-based mining group, is offering to sell its 65 per cent stake in Highlands Gold, the listed gold mining and exploration company, to existing MIM shareholders at 65 cents a share. The sale would raise around A$238m for MIM and give it a net profit of around A$168m on the holding.

MIM shareholders will be offered one Highlands share for every five MIM shares they hold. Those who do not wish to take up the offer will be able to sell their rights on the market. The offer is fully underwritten by ANZ McCaughan. Shares in both companies had been suspended on Thursday, ahead of Friday's announcement. After the announcement, Highlands shares closed five cents lower at 69 cents, only four cents above the offer price. MIM closed four cents higher at A$1.92.

The sale came as no surprise to analysts. MIM has been steadily winding back its "non-core" and investment interests, and there has been growing speculation that the Highlands stake could be the next to go. Mr Nick Stump, MIM chief executive, said the sale would provide extra funds for new projects, but would also allow MIM shareholders to "gain value out of MIM's investment in Highlands".

Nevertheless, independent directors of Highlands said the sale plan had been devised independently and without reference to the Highlands board.

Nikki Tait, Sydney

هكذا من الأصل

All of these Securities have been sold. This announcement appears as a matter of record only.

GUCCI

30,325,099 Common Shares

Price U.S. $48 a New York Share and NLG 79.368 a Dutch Share

Global Coordinator

MORGAN STANLEY & CO.
International

13,669,268 Common Shares

This portion of the offering has been sold outside the United States and Canada by the undersigned.

MORGAN STANLEY & CO. *International*

CS FIRST BOSTON

CAZENOVE & CO.

SALOMON BROTHERS INTERNATIONAL LIMITED

DAIWA EUROPE LIMITED

DEUTSCHE MORGAN GRENFELL

DRESDNER BANK-KLEINWORT BENSON

ROBERT FLEMING & CO. LIMITED

INDOSUEZ CAPITAL

SOCIETE GENERALE

16,655,831 Common Shares

This portion of the offering has been sold in the United States and Canada by the undersigned.

MORGAN STANLEY & CO. *Incorporated*

CS FIRST BOSTON

SALOMON BROTHERS INC

BEAR, STEARNS & CO. INC.

DEAN WITTER REYNOLDS INC.

DONALDSON, LUFKIN & JENRETTE *Securities Corporation*

A.G. EDWARDS & SONS, INC.

GOLDMAN, SACHS & CO.

LEHMAN BROTHERS

MERRILL LYNCH & CO.

OPPENHEIMER & CO., INC.

PAINEWEBBER *Incorporated*

SMITH BARNEY INC.

THE BUCKINGHAM RESEARCH GROUP *Incorporated*

FURMAN SELZ *Incorporated*

SANFORD C. BERNSTEIN & CO., INC.

DAIN BOSWORTH *Incorporated*

EVEREN SECURITIES, INC.

FIRST OF MICHIGAN CORPORATION

JANNEY MONTGOMERY SCOTT INC.

LEGG MASON WOOD WALKER *Incorporated*

McDONALD & COMPANY *Securities, Inc.*

PIPER JAFFRAY INC.

RAUSCHER PIERCE REFSNES, INC.

RAYMOND JAMES & ASSOCIATES, INC.

THE ROBINSON-HUMPHREY COMPANY, INC.

WHEAT FIRST BUTCHER SINGER

March 1996

FINANCE

FACES

Collins swaps Mumm for Whitbread

Never underestimate the call of the sea, writes Richard Tomkins. After 25 years at the US mutual fund group T. Rowe Price – the last 12 of them as president and chief executive – George Collins, 55, is quitting to indulge his passion for sailing.

In spring next year, Collins will be leaving the competitive world of investment management to take on a different challenge: skippering a boat in the Whitbread round-the-world yacht race, one of the most gruelling events in ocean racing.

Collins has been sailing since he was 18 and bought his first boat at 32. Conveniently, T. Rowe Price is based in Baltimore on the shores of Chesapeake Bay, giving him easy access to the Mumm 30 he races. For the big event, he is having a Whitbread 60 built to a Bruce Farr design.

Collins is used to challenges, having turned T. Rowe Price into one of the biggest and best-performing mutual fund companies in the US. And as Collins says, skippering a boat is not that different from running a company. "Chief executive officers are used to leading, setting an example, creating a vision and creating a culture. Skippers do all that."

But Collins is not planning to sail off into the sunset for good. He is starting to think about what to do when he gets back. "I am not going to vegetate," he says. "But I do know that I don't want to work 80-hour weeks any more."

Peter lane turns Red Adair

Peter Lane, marketing director at Lloyd's of London, is turning into the insurance market's Red Adair, writes Ralph Atkins. For the past six weeks he has taken the additional title of managing director North America and, living mostly out of suitcases, has been fighting a series of legal fires started by US securities regulators which threaten to undermine the insurance market's recovery plan.

The most important court case – in California – is due to be heard in the next two weeks. Elsewhere, Mr Lane has managed to negotiate "standstill" agreements, allowing Lloyd's time – in his words – to "educate" local regulators about how Lloyd's works. But California poses a big headache for Lloyd's because state securities regulators are trying to freeze at least part of $10bn held in trust to support US underwriting.

If this seems an unusual role for a marketing manager, it is only half the story. Since joining Lloyd's two years ago from Shell International Petroleum, Mr Lane has also been given responsibility for overhauling Lloyd's Aviation – the loss-adjusting subsidiary left behind when the insurance market sold its publishing operations, including the Lloyd's List newspaper, last year. He is also, bizarrely, Lloyd's official representative in Belgium.

In between, Mr Lane has taken responsibility for organising countless client "reassurance" briefings, aimed at countering the hostile press coverage Lloyd's receives about its financial security. Aged 50, he has a reputation as an exceptionally self-confident, aggressive manager also blessed with a fair measure of charm. He argues there is a logic to his various roles which come under the umbrella of developing Lloyd's internationally. Moreover, he adds, "I was one of the few people in the centre with significant external business experience."

Tacking Lloyd's US difficulties takes much more than hard work and a commercial mind, however. It also requires diplomacy in dealing with politicised regulators – and hundreds of embittered, lossmaking US Names, individuals whose assets have traditionally supported Lloyd's.

Mr Lane is not afraid to wield sticks. He is particularly annoyed because California's securities regulators have stopped Lloyd's communicating with local Names about its recovery plan: "This is America – where freedom of speech, and freedom of information are supposed to be important. It is outrageous."

Mr Lane is confident the problems can be sorted out before the summer, when Lloyd's recovery plan is due to be implemented. But as one of his colleagues remarks: "He has an exceptionally high opinion of himself. Whether that is justified, only time will tell."

Peter Lane: the marketing director at Lloyd's has been fighting a series of legal fires started by US securities regulators

Chelsea fan far from blue

Celebrations are in order at BZW, the investment banking arm of Barclays Bank, which last week topped Euromoney's league table of euromarket loan arrangers for the first time in three years, writes Antonia Sharpe.

Ironically, the man who made it happen, Tim Ritchie, was on business in the US and was only made aware of the achievement by a flurry of phone calls from excited colleagues in London.

The loan which propelled BZW to the top – a £2.35bn credit facility for Railtrack, the British rail network which is about to be privatised – is the latest example of how Ritchie is realising BZW's ambition, in the words of Graham Pimlott, chief executive of merchant banking, "to raise capital for key clients around the world".

Other high-profile deals in which BZW has been involved since Ritchie, 40, became the London-based head of syndications and loan distribution in late 1994, include the £2.5bn facility which bankrolled Granada's takeover of Forte.

Ritchie, who joined Barclays in 1978 as one of its first graduate recruits, was sent to New York in 1981 where, over the next 13 years, he developed a reputation as a keen but perceptive loans syndicator.

Ritchie's long sojourn in the US, a country he now regards as his second home, has conditioned both his professional and personal life.

His success in establishing Barclays as one of the leading foreign banks in the competitive US loans market made him the obvious choice when it sought a "strategic brain" to pull its loan distribution activities together on a global basis, and to manage the sensitive cultural task of transferring the department from the commercial bank to the investment bank.

Married to an American, Ritchie speaks with a slight American twang and although he is still loyal to Chelsea, the London football club, he has become a staunch supporter of the New England Patriots football team and baseball's Boston Red Sox.

Chinese whispers

Anthony Neoh has the calm, exquisite manners of an Anita Brookner character, but the man who will lead Hong Kong's top securities watchdog through the transition is no soft touch when it comes to regulation, writes Louise Lucas.

Last week he announced plans to tighten regulations as part of a bigger move to consolidate and rationalise existing securities legislation. Key among those proposals is a move to bring some banks which engage in securities trading into the orbit of the Securities and Futures Commission (SFC), which he chairs. Some banks object that this may be unnecessarily cumbersome.

Mr Neoh is no stranger to controversy. Earlier this year his endeavours to build up the international repute and scope of the Hong Kong stock exchange triggered a row between the two regulators. Accusations of the SFC over-stepping its role, a not uncommon charge, were again aired.

There had been hopes that Mr Neoh's previous ties to the stock exchange might have helped heal a long-standing rift between the two bodies: it was Mr Neoh who applied his legal mind to what was arguably one of the exchange's most brilliant (and complex) coups: arranging for Chinese enterprises to raise cash on the Hong Kong market. Since the rule book was written in 1993, these companies have raised some HK$20bn in Hong Kong.

Whispers that Mr Neoh may have a political career ahead of him after China resumes sovereignty in July 1997 have all but disappeared, to the regret of some. The idea was probably a non-starter: although well-connected in Beijing and Hong Kong, he has steadfastly refused to become a China adviser.

Axe comes out for investment advisers

Maggie Urry in New York reports on a trend among pension funds in the US

The State of Connecticut astounded the US pension fund industry earlier this year by sacking nearly all of the 47 investment management companies between which its $12.6bn pension fund was divided. Almost as shocking as the dismissals was the number of fund managers the state had accumulated.

Although a dramatic – and highly political – example, Connecticut's action is part of a more widespread trend in the US to reduce the number of managers employed by pension funds' plan sponsors, whether corporate or public.

This trend has important implications for the performance of funds, the fees they pay and for the investment management firms themselves.

It is particularly marked among the largest pension funds: corporate funds of over $1bn had an average of 17.2 managers in 1995, down from 19.3 in 1993, while public funds of $1bn or more cut back from 21.5 in 1993 to 17.9 in 1995, according to figures from Greenwich Associates, the investment management research firm.

It reverses a fashion of the 1980s, when funds appointed more and more specialised managers to handle different asset classes. There was a common view - encouraged perhaps by pension fund consultants, whose bread-and-butter work is advising on hiring managers - that a greater focus on smaller segments would improve investment returns.

As the universe of potential investments grew, it was sliced and diced into smaller portions, until managers were being hired to run portfolios with investment styles as detailed as, say, a small-capitalisation US equity fund with an actively managed, value approach.

Even a modestly sized pension plan could find itself with more than 10 different managers, says Mr John Webster, partner at Greenwich Associates, the investment management research firm.

The problem came when plan sponsors discovered that this specialisation did not bring the superior returns that they had expected. "The net benefit from specialisation is hard to point to," says Ms Patricia Dunn, joint chief executive at BZW Barclays Global Investors.

FUND MANAGEMENT

She says that plan sponsors discovered that with every extra manager appointed, the chances of outperforming the market actually diminished, even before fees were taken into account. The different managers were often in effect cancelling each other out, making the total fund look more like an index fund.

Further, the rising number of managers made life harder for the plan sponsors. Ms Gloria Reeg, head of consulting at Frank Russell, says sponsors had to ask themselves "how can I deploy active managers successfully, and how many managers can I manage?"

As companies cut head office staffs, sponsors found it increasingly difficult to cope. They had insufficient time to understand some of the complex investments specialised managers were making, and could be swamped by quarterly review meetings and the need to fire and hire managers.

On top of that, Ms Dunn says, the implication of the specialisation of managers was that the most important decision of all - asset allocation - fell to the plan sponsor. But they could not manage their funds' exposures when they had dozens of managers.

By cutting down the number of managers, and developing a stronger relationship with those that remain - a trend Greenwich Associates has observed - Ms Dunn says "the plan sponsor is much more in the driver's seat now than he or she was at the height of the manager specialisation craze or before in the balanced manager era".

The poor results were writ large in the case of Connecticut's pension fund. Mr Christopher Burnham, who became state Treasurer in January 1995, says the fund was consistently one of the bottom 5 per cent of all US large public pension funds. Had its money simply been put in an index fund in 1986, the fund would be worth $2.3bn more today than it is, equivalent to a year's income tax receipts for the state.

The State employed 54 people to manage the managers. That number has been cut to 14. And of the 47 managers in place at the start of 1995, only two were retained with their existing mandates. Four firms were re-hired to manage different portfolios, and 16 new firms were brought in, to give a total of 22.

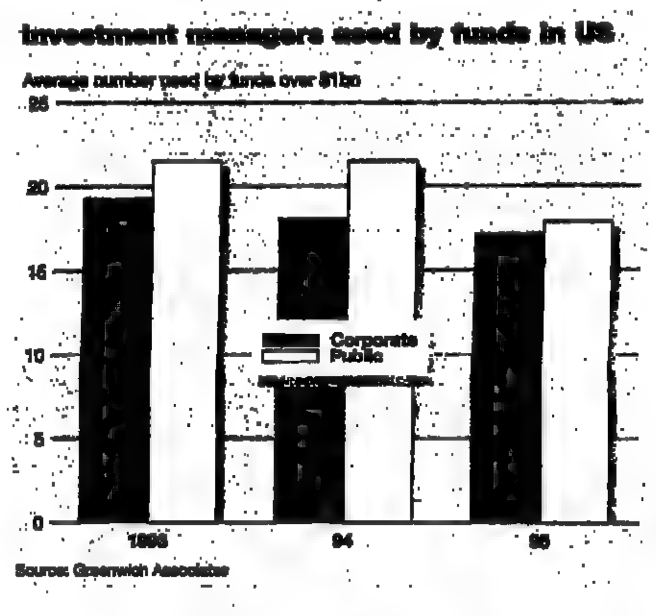
Even among these there has been some proliferation, Mr Burnham says. "We hired five active, small-cap, domestic equity managers and two small-cap index managers," he says. "If the five fail to outperform the index I will can them" he adds. Thumping his tub he continues, "they have a three-year time horizon. Five years would be more appropriate but I'm up for re-election in three".

It is too early to see any performance benefits from Connecticut's purge. But, Mr Burnham claims, the state will save $11.5m a year, largely in fees, which will in future be performance related. Even now, though, he says "Ford Motor Company has over twice our assets, half our managers and they do it with three people".

A feature of the trend to cut down on fund managers is a switch from active to passive or indexed management - as can be seen in the teams Connecticut has hired. If the active managers are failing to outperform the index, the thinking goes, plan sponsors may as well hire passive managers.

That helps improve returns further by reducing transaction costs and cutting fees. A large fund might pay an active equity manager 30 basis points a year but a passive manager less than 2 basis points. A smaller fund could cut its fees from 40 or 50 basis points to under 10.

As plan sponsors reduce the number of managers they employ, what will happen to the investment management firms? The answer must be that they will diminish in number, perhaps through mergers of specialist managers into groupings which can offer a range of asset classes. As Ms Dunn says, "there will always be a place for managers who perform consistently".



مكرر من الاصل

Notice of a Meeting of the Holders of

U.S. $208,400,000 Secured Class A1 7.75% Fixed Rate Notes due June 1997

("Class A1 Notes")

of

Aircraft Lease Portfolio Securitisation 92-1 Limited

(the "Company")

NOTICE IS HEREBY GIVEN that a meeting (the "Meeting") of the holders of the above mentioned Class A1 Notes, constituted by a Trust Deed dated 23 June 1992 (the "Trust Deed") made between the Company and The Law Debenture Trust Corporation p.l.c. (the "Trustee") will be held at 9.00 a.m. (London time) on 15 May 1996 at the offices of Freshfields, 65 Fleet Street, London EC4Y 1HS, United Kingdom for the purpose of considering and, if thought fit, passing the following Extraordinary Resolution:

Principal Paying Agent: Citibank, N.A., 336 Strand, London WC2R 1HB

Paying Agent: Citicorp Investment Bank (Luxembourg) S.A., 16 Avenue Marie-Thérèse, L-2132 Luxembourg

Paying Agent, Transfer Agent and Registrar: Citibank, N.A., 399 Park Avenue, New York, New York 10043

Dated 22 April 1996

AIRCRAFT LEASE PORTFOLIO SECURITISATION 92-1 LIMITED

THIS NOTICE SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITIES. ANY SECURITIES THAT MAY BE OFFERED BY THE COMPANY IN THE FUTURE WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933 AND MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES OF AMERICA ABSENT REGISTRATION OR AN APPLICABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS THEREUNDER.

THIS NOTICE IS IMPORTANT. IF CLASS A1 NOTEHOLDERS ARE IN ANY DOUBT AS TO THE ACTION THEY SHOULD TAKE THEY SHOULD CONSULT THEIR FINANCIAL ADVISER, LAWYER, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER WITHOUT DELAY.

Notice of a Meeting of the Holders of

U.S. $104,200,000 Secured Class A2 Floating Rate Notes due June 1997

("Class A2 Notes")

of

Aircraft Lease Portfolio Securitisation 92-1 Limited

(the "Company")

Dated 22 April 1996

AIRCRAFT LEASE PORTFOLIO SECURITISATION 92-1 LIMITED

THIS NOTICE SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITIES. ANY SECURITIES THAT MAY BE OFFERED BY THE COMPANY IN THE FUTURE WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933 AND MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES OF AMERICA ABSENT REGISTRATION OR AN APPLICABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS THEREUNDER.

THIS NOTICE IS IMPORTANT. IF CLASS A2 NOTEHOLDERS ARE IN ANY DOUBT AS TO THE ACTION THEY SHOULD TAKE THEY SHOULD CONSULT THEIR FINANCIAL ADVISER, LAWYER, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER WITHOUT DELAY.

Notice of a Meeting of the Holders of

U.S. $70,400,000 Secured Class A3 Floating Rate Notes due June 1997

("Class A3 Notes")

of

Aircraft Lease Portfolio Securitisation 92-1 Limited

(the "Company")

Dated 22 April 1996

AIRCRAFT LEASE PORTFOLIO SECURITISATION 92-1 LIMITED

THIS NOTICE SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITIES. ANY SECURITIES THAT MAY BE OFFERED BY THE COMPANY IN THE FUTURE WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933 AND MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES OF AMERICA ABSENT REGISTRATION OR AN APPLICABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS THEREUNDER.

THIS NOTICE IS IMPORTANT. IF CLASS A3 NOTEHOLDERS ARE IN ANY DOUBT AS TO THE ACTION THEY SHOULD TAKE THEY SHOULD CONSULT THEIR FINANCIAL ADVISER, LAWYER, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER WITHOUT DELAY.

Notice of a Meeting of the Holders of

U.S. $208,400,000 Secured Class A1 7.75% Fixed Rate Notes due June 1997 ("Class A1 Notes")

U.S. $104,200,000 Secured Class A2 Floating Rate Notes due June 1997 ("Class A2 Notes")

U.S. $70,400,000 Secured Class A3 Floating Rate Notes due June 1997 ("Class A3 Notes")

(together the "Class A Notes")

of

Aircraft Lease Portfolio Securitisation 92-1 Limited

(the "Company")

Principal Paying Agent: Citibank, N.A., 336 Strand, London WC2R 1HB

Paying Agent: Citicorp Investment Bank (Luxembourg) S.A., 16 Avenue Marie-Thérèse, L-2132 Luxembourg

Paying Agent, Transfer Agent and Registrar: Citibank, N.A., 399 Park Avenue, New York, New York 10043

Dated 22 April 1996

AIRCRAFT LEASE PORTFOLIO SECURITISATION 92-1 LIMITED

THIS NOTICE SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITIES. ANY SECURITIES THAT MAY BE OFFERED BY THE COMPANY IN THE FUTURE WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933 AND MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES OF AMERICA ABSENT REGISTRATION OR AN APPLICABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS THEREUNDER.

THIS NOTICE IS IMPORTANT. IF CLASS A NOTEHOLDERS ARE IN ANY DOUBT AS TO THE ACTION THEY SHOULD TAKE THEY SHOULD CONSULT THEIR FINANCIAL ADVISER, LAWYER, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER WITHOUT DELAY.

BACKGROUND, VOTING AND QUORUM

The following is applicable to all Class A Noteholders and should be read as and form part of the Notices of Meetings of holders of Class A1 Notes, Class A2 Notes, Class A3 Notes and Class A Notes above

BACKGROUND SUMMARY

VOTING AND QUORUM

AIRCRAFT LEASE PORTFOLIO SECURITISATION 92-1 LIMITED

For further information contact:

LEHMAN BROTHERS INTERNATIONAL (EUROPE)

Attn: Marco Salvalaggio, 1 Broadgate, London EC2M 7HA.

Telephone: +44 171 601 0086. Facsimile: +44 171 260 3176.

FINANCIAL TIMES

MARKETS

THIS WEEK

Global Investor / Tony Jackson in New York

The no-win deal facing equities

If the US bond market is rattled about inflation – and it certainly seems to be – the equity market has yet to get the message. In the past three months, the long bond yield has risen from a low of 6 per cent to 6.8 per cent. The equity yield has meanwhile fallen slightly, from 2.3 per cent to 2.2 per cent on the FT World Index.

Historically, as the chart shows, the equity market has proved acutely sensitive to inflation. The yield has risen and fallen with the consumer price index, and the earnings multiple vice versa. Suppose the bond market is now right to worry about inflation. Must equities again follow suit?

It is worth considering why inflation should affect equities at all. Much of the CPI consists of prices charged by corporations. Suppose they raise their prices 10 per cent but hold their profit margins and dividend pay-outs steady. In that case, their dividends will rise 10 per cent as well. To that extent, equities offer a real yield, as opposed to the nominal yield on bonds. So although bond yields will rise with inflation, equity yields should theoretically stay the same.

There are several reasons why they do not. The first relates to the quality of earnings.

In a time of stable prices, the tax allowances for depreciation are broadly the same as real replacement spending on plant and equipment. But when prices of plant and equipment are rising rapidly, companies are out of pocket.

Similarly, high inflation gives rise to illusory profits on inventories. The effect is to produce earnings which are not backed by cash and cannot be paid out in dividends.

Second, as Salomon's chief equity strategist David Shulman points out, high interest rates associated with inflation mean future earnings are discounted more heavily to arrive at a present share price. This seems irrational, since present values are conventionally calculated using real – inflation-adjusted – rates of interest. But in practice, high inflation leads to volatility in interest rates, real and nominal. For this reason, corporations normally raise their hurdle rates of return on investments in times of inflation.

Both those elements – the quality of earnings and the discount factor – will plainly apply if inflation returns. But the opening question remains: can companies maintain their operating margins while prices are rising?

Recent experience suggests they can. When raw materials prices were rising sharply in 1994-95, US corporations confounded expectations by not only failing to pass on these costs, but by holding their margins. There was a benign combination of low inflation and healthy earnings growth.

One important way in which companies were able to square the circle was by slashing their wage bills. Morgan Stanley's chief economist Stephen Roach points out labour accounts for 70 per cent of US corporate costs while commodities account for only 17 per cent.

But the slash-and-burn approach to labour has largely run its course. Also a political reaction is setting in, so labour costs may well start to accelerate. In that case, corporate America will be faced with a combination of wage and raw material price increases not seen for a decade.

As a political straw in the wind, take the recent moves – endorsed by some Republicans as well as Democrats – to raise the US minimum wage of $4.25 per hour by up to $1. But by Roach's calculations, the knock-on effect could be to increase wage inflation – now running at 3-3.5 per cent – by half a percentage point.

The significance lies not so much in the absolute increase as in the direction. From the equity market's viewpoint, the risk is that the pendulum of reward may swing back from capital to labour.

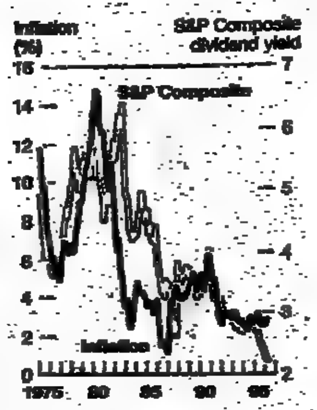
Faced with such cost pressures, the only defence for corporations would be to raise prices. In recent years that has largely proved impossible, if only because globalisation of trade has brought new capacity around the world.

With the Group of 7 countries seemingly bent on promoting growth – as instanced by last week's German interest rate cut – that may change. But if increased world demand does soak up global capacity, the resulting ability of corporations to pass on price increases would form part of a wider inflationary surge.

The result is a no-win situation. If inflationary pressures remain subdued, corporations will probably face a margins squeeze through their inability to pass on cost increases. But if they can maintain operating margins, it may be at the expense of general inflation which reduces the quality of earnings and applies a heavier discount to their future value.

It would not do to be too pessimistic. In recent years, corporate America has shown remarkable ingenuity in finding ways to raise productivity. But if the bond market is right, watch out for upsets.

Inflation and equities



Source: FT Extel

Total return in local currency to 19/4/96

	US	Japan	Germany	France	Italy	UK
	% change over period					
Cash						
Week	0.10	0.01	0.07	0.08	0.15	0.11
Month	0.45	0.05	0.28	0.35	0.82	0.51
Year	5.56	1.41	5.00	7.13	11.44	7.56
Bonds 3-5 year						
Week	0.54	-0.27	0.40	0.20	0.77	0.39
Month	-0.16	-0.82	1.09	1.17	2.05	0.40
Year	7.45	4.21	10.71	14.12	22.39	10.88
Bonds 7-10 year						
Week	0.87	-0.55	0.70	0.40	1.15	0.67
Month	-0.86	-0.65	1.52	1.58	3.00	3.30
Year	8.80	5.04	12.27	17.42	32.05	11.49
Equities						
Week	2.2	-0.1	0.3	0.8	1.2	2.1
Month	-1.3	6.6	2.8	5.7	5.0	4.5
Year	30.3	29.3	26.2	18.1	1.8	24.9

Source: Cash & Bonds - Lehman Brothers. Equities: © FT/S&P Actuaries World Indices. The FT/S&P Actuaries World Indices are jointly owned by FT-SE International Limited, Goldman Sachs & Co. and Standard & Poor's.

COMPANY RESULTS DUE

Strike across the US likely to affect GM figures

■ **General Motors:** The US carmaker is expected to report sharply lower first quarter earnings, almost 70 per cent below initial estimates, because of the 17-day strike at two plants that closed down GM's entire North American operations during March. GM is expected to report today that earnings per share fell to 85 cents from $2.51 a year ago. The carmaker is understood to have told analysts privately it estimates the strike would cut $900m from net income in the quarter, the equivalent of about $1.20 a share. GM is believed to have lost production of about 240,000 vehicles during the strike, and did not have time to make this up before the end of the quarter. Total production for the quarter is estimated at 1.2m units.

While GM has raised its second quarter production estimates by about 71,000 to 1.4m vehicles, analysts say it is unlikely to recoup all the lost production because of overtime costs and adequate levels of inventory. *AFX News*

■ **Philips:** The Dutch electronics group, is expected to report on Wednesday first quarter net profit of Fl 590m-Fl 830m ($351-$494m) compared with Fl 744m a year earlier, according to analysts. The figures are expected to include Fl 300m-Fl 400m in extraordinary net profit from Philips' sale in March of some 6.5m shares of ASM Lithography Holding, which reduced its stake to about 35 per cent from 57 per cent.

Analysts therefore see net profit from ordinary activities between Fl 290m-Fl 430m, down from Fl 544m a year earlier. Sales are seen stable or slightly higher than last year's Fl 14.619bn.

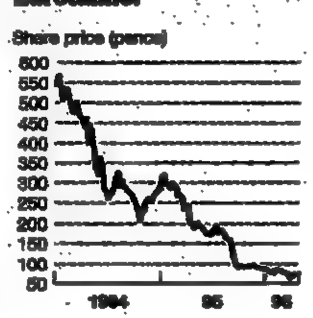
At the annual general meeting last month, Mr Jan Timmer, president, warned shareholders that first-quarter net profit from ordinary business operations would be "substantially" lower than the "excellent" first quarter of 1995. He blamed continuing weakness in the consumer electronics market, and pressure on semiconductor earnings from lower demand from the personal computer industry.

Mr Timmer told shareholders: "The company will make every effort to try and avoid net profit from normal business operations for the full 1996 falling below that of the previous year."

Mr Simon Street of Barclays de Zoete Wedd said: "Clearly, the group's activities relating to consumer electronics, especially Grundig, are having a tough time. A recovery in consumer electronics will be the key factor in Philips' full-year profit trend. The rest of the group is doing fairly well." *AFX News*

Eurotunnel

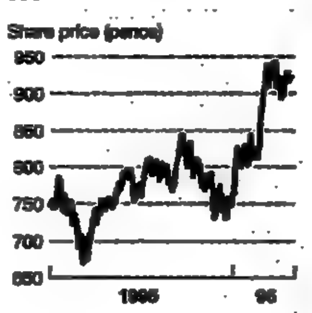
Share price (pence)



Source: FT Extel

ICI

Share price (pence)



Source: FT Extel

■ **Accor:** On Wednesday the French hotels group will report a net profit of FFr900m-FFr950m for 1995, up from FFr711m ($140m) a year earlier, due to a surge in hotel income in the second half and a drop in financing charges after debt reduction. Accor had a first half net profit of FFr29m but the seasonal nature of its activities will increase earnings in the latter part of the year, analysts said. *AFX News*

■ **Montedison:** The Italian industrial group is expected to announce today a net profit of L1,173bn-L1,356bn ($85bn) in 1995 compared with a net loss of L345bn a year earlier.

In February, Montedison announced a 1995 preliminary gross operating profit of L3,440bn, up 16.4 per cent, and sales of L24,360bn, up 13.2 per cent.

Montedison also announced in September that its first-half net profit of L1,092bn was boosted by a capital gain of L985bn from the transfer of assets to its Montell joint venture with the Royal Dutch/Shell group. *AFX News*

■ **Ferruzzi Finanziaria,** Montedison's parent, is also due to announce its results today. The group said in February that its 1995 preliminary sales were L27,265bn, up 9.4 per cent, while gross operating profit rose 17.7 per cent to L3,623bn. In 1994, Ferruzzi posted a L897bn net loss.

Analysts were reticent about predictions, saying that Ferruzzi's opaque structure makes forecasting difficult. *AFX News*

■ **Klöckner-Humboldt-Deutz:** The German engine maker which is struggling to recover after almost collapsing last year, reports its full results for 1995 tomorrow. The company said last year that it expected net losses in 1995 to reach about DM300m ($201m) because of further restructuring. According to preliminary figures in December, sales in 1995 rose DM500m to about DM3.2bn while new orders remained steady at about DM3.5bn. The new management under Mr Anton Schneider, is also expected to announce details about business in the first quarter and a number of other property disposals designed to strengthen the company's balance sheet.

■ **Mannesmann:** The leading German engineering group which is being buoyed by strong results from its telecoms business, reports its full results for 1995 on Wednesday and will give the fullest indications so far about prospects for this year. The group recently said net profits in 1995 had risen to DM701m – more than double the 1994 result – but DM464m of that came from telecoms which represents only about 10 per cent of group sales. While analysts forecast that gross profits this year may rise to DM1.3bn, they expect net profits to remain near their 1995 levels because of high tax charges.

■ **Eurotunnel:** The Anglo-French operator of the Channel Tunnel is today expected to announce losses for 1995 of around £900m.

■ **ICI:** First-quarter figures from the UK's biggest chemicals company on Thursday are likely to be worse than in the same period last year.

INTERNATIONAL EQUITIES

Wider variety of issues in market

The international primary equity market has entered the second quarter of 1996 with a full and varied timetable of new issues and, thankfully, international investors are still flush with cash and sentiment in the secondary markets is broadly positive.

"The markets are open and deals are working," said one syndicate manager last week. Despite the heavy US primary equity calendar, bankers are continuing to see strong investment flows out of the US into Europe and emerging markets, a trend which started at the beginning of the year.

Unlike last year, when offerings had to compete against each other for investors' attention because so many were concentrated either in the telecoms or steel industries, investors are being presented with a wide range of different issues this time round.

Another reason why bankers are optimistic about the primary equity market is that they are taking more care to space out transactions so that the overcrowding seen last year, particularly in the fourth quarter, is avoided. "There is a good order and variety to the market," said one banker.

Offerings which are currently in the market include Harvey Nichols, the Knightsbridge department store, Netcom, a Norwegian cellular phone provider, Carli Gry, a Danish retailer, Copenhagen Airport, and Mediolanum, an Italian life insurance and mutual funds company.

Eastern Europe is also yielding opportunities, namely sales of shares in KomercniBanka in the Czech Republic and in Pannonplast, a Hungarian plastics manufacturer.

Most of these deals are fairly modest in size – the largest is Mediolanum which is set to raise about $250m – but next month's scheduled privatisations, which include Railtrack in the UK, OMV, the Austrian oil and gas company, and Portugal Telecom will raise significantly larger amounts.

The UK government could raise up to £1.8bn from Railtrack, and the Austrian government is expected to reap about $350m from the sale of 15 per cent in OMV, which is currently 50 per cent state-owned. The second tranche of shares in Portugal Telecom, which was floated last year, is set to raise $1bn to $1.2bn. Merrill Lynch, SBC Warburg and UBS, which are arranging the Portuguese transaction, are expected to announce the rest of the syndicate early next week.

Given the high levels of liquidity in the market, bankers believe that deals of this order will be absorbed easily and that this in turn will encourage other governments to speed up their privatisation plans, in particular France.

The UK and Portugal are already well up to speed. Only a few weeks after Railtrack is priced, believed to be the end of the third week of May, the UK government will proceed with the privatisation of British Energy. BZW, which is arranging the transaction, is set to announce the syndicate for British Energy today. Portugal is set to sell shares in the cement company, Cimpor, once Portugal Telecom is out of the way.

Meanwhile, Finland is expected to proceed with its plan to reduce its stake in Valmet, the world's biggest maker of paper machinery, to about 30 per cent from its current holding of 58 per cent by the summer. This transaction could raise about $300m.

For investors who want an alternative to privatisation, the calendar of corporate IPOs remains strong. CS First Boston is believed to have won the mandate to spin off Olivetti's office equipment subsidiary, Lexikon, and Goldman Sachs is preparing the DM60m IPO of Eurobike, a German motorcycle company.

Bankers are also optimistic that the recent M&A activity in Switzerland will produce some interesting equity offerings this year.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FT-SE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FT-SE International Limited and Goldman Sachs in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY APRIL 19 1996 US Dollar Index	%chg since 29/12/95	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 29/12/95	Gross Div. Yield	THURSDAY APRIL 18 1996 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (80)	203.30	7.0	198.60	137.46	159.14	172.89	1.8	3.90	202.87	199.50	137.81	159.48	172.02	205.73	182.66	174.39
Austria (25)	186.90	7.1	182.58	126.37	146.31	148.16	12.6	1.82	184.25	181.19	125.16	144.84	144.67	199.26	168.11	169.56
Belgium (33)	210.26	0.5	205.40	142.17	164.59	160.49	5.7	4.13	209.20	205.73	142.12	164.46	180.19	215.81	186.09	192.90
Brazil (28)	155.44	12.7	151.84	105.10	121.67	283.56	14.9	1.41	183.40	180.86	104.21	120.59	279.28	170.26	119.91	119.91
Canada (99)	160.41	8.1	156.70	108.46	125.57	158.24	7.9	2.37	180.48	157.82	109.02	126.16	158.12	161.50	134.14	135.67
Denmark (30)	297.57	3.0	290.68	201.20	232.93	235.08	8.0	1.91	296.54	290.83	200.77	232.33	234.80	305.17	266.36	269.70
Finland (24)	181.45	-3.0	177.26	122.69	142.04	181.00	6.2	2.74	181.24	178.28	123.12	142.47	180.75	276.11	171.73	188.07
France (97)	196.05	9.3	191.51	132.56	153.46	157.12	14.2	3.05	194.53	191.30	132.15	152.92	198.50	196.88	167.70	182.83
Germany (60)	172.14	5.2	168.16	116.39	134.75	134.75	10.6	1.84	171.34	168.50	116.40	134.70	134.70	174.38	149.49	151.10
Hong Kong (59)	426.57	10.0	416.71	288.42	333.92	423.61	10.1	3.33	429.83	422.79	292.06	337.96	428.95	451.19	323.67	341.23
Ireland (16)	277.20	8.5	270.78	187.43	216.99	249.04	10.9	3.33	273.10	268.56	185.52	214.69	246.62	277.20	220.31	223.35
Italy (59)	77.64	5.3	75.84	52.49	60.77	90.93	4.1	2.14	76.32	75.05	51.84	59.99	89.63	82.71	67.22	70.90
Japan (481)	157.38	1.6	153.74	106.41	123.19	106.41	5.3	0.71	155.99	153.40	105.97	122.62	105.97	184.82	137.75	162.41
Malaysia (107)	573.34	18.2	560.08	387.66	448.81	551.16	16.2	1.58	570.30	560.83	387.42	448.32	548.77	573.34	425.77	482.90
Mexico (18)	1313.81	28.8	1283.23	888.16	1028.29	10848.1	22.0	1.28	1297.97	1278.41	881.75	1020.36	10559.0	1313.81	791.99	905.41
Netherland (19)	289.72	6.2	283.02	195.89	226.79	222.72	11.6	3.17	287.51	282.74	195.32	226.02	221.87	291.80	237.18	242.51
New Zealand (15)	82.45	3.5	80.55	55.75	64.55	63.80	-1.4	4.28	82.47	81.10	56.03	64.83	83.92	85.49	76.26	82.70
Norway (33)	247.31	6.9	241.59	167.22	193.59	217.96	9.9	2.36	245.05	240.98	166.47	192.84	216.86	247.31	215.04	219.28
Singapore (44)	445.15	9.3	434.85	300.98	348.46	298.94	8.8	1.31	445.27	437.87	302.48	350.03	289.01	465.21	355.81	360.70
South Africa (45)	374.12	-2.9	365.47	252.96	292.86	346.96	13.7	2.06	371.06	364.89	252.07	291.69	344.68	437.76	338.91	353.11
Spain (37)	177.97	7.7	173.85	120.33	139.31	169.07	11.4	3.28	174.89	171.98	118.81	137.48	166.90	177.97	134.79	136.82
Sweden (46)	344.80	10.5	336.82	233.13	269.90	341.89	11.7	2.33	337.69	332.08	229.40	265.46	336.90	352.28	241.23	244.49
Switzerland (36)	243.40	3.1	237.77	164.57	190.54	184.45	9.6	1.54	240.79	236.79	163.57	189.29	183.46	252.34	184.11	186.22
Thailand (46)	180.06	7.0	175.90	121.75	140.95	176.63	7.4	1.85	183.08	180.04	124.37	143.92	179.77	193.95	134.53	134.58
United Kingdom (202)	237.43	3.0	231.93	160.53	185.85	231.93	5.3	3.95	233.71	229.83	158.77	183.73	229.83	237.43	207.42	207.52
USA (627)	263.11	4.7	257.03	177.90	205.96	263.11	4.7	2.20	262.48	258.12	178.31	206.34	262.49	269.11	206.41	206.41
Americas (772)	240.57	5.1	235.01	162.66	188.32	202.18	5.0	2.19	239.96	235.99	163.02	188.65	201.67	245.54	186.09	189.09
Europe (722)	210.70	4.9	205.82	142.46	164.93	184.60	8.7	2.98	208.21	204.78	141.44	163.68	183.36	210.70	180.30	181.16
Nordic (136)	295.03	7.0	288.21	199.48	230.95	257.15	10.0	2.32	290.66	285.83	197.45	228.49	254.59	297.48	233.21	238.10
Pacific Basin (832)	170.41	3.1	166.47	115.22	133.39	117.87	5.8	1.14	189.26	186.44	114.98	133.06	117.51	171.87	148.66	169.50
Euro-Pacific (1554)	187.09	4.0	182.76	126.50	146.45	143.18	7.2	2.01	185.38	182.30	125.93	145.73	142.49	187.09	168.51	174.32
North America (726)	256.73	4.8	250.79	173.59	200.97	256.04	4.8	2.21	256.14	251.99	174.00	201.36	255.44	262.26	202.03	202.03
Europe Ex. UK (520)	191.22	6.0	186.80	129.29	149.69	167.54	10.5	2.46	189.37	186.25	128.64	148.87	156.69	191.22	161.73	162.86
Pacific Ex. Japan (351)	291.81	10.3	285.06	197.30	228.43	262.47	8.3	2.93	292.35	287.50	198.60	229.82	252.82	293.73	237.71	242.72
World Ex. US (1744)	188.30	4.1	183.94	127.31	147.40	147.58	7.4	2.01	186.82	183.52	126.77	146.70	146.83	188.30	167.38	174.55
World Ex. UK (2169)	208.54	4.5	203.72	141.00	163.24	175.80	6.4	1.90	207.45	204.00	140.92	163.08	175.22	209.07	179.23	181.62
World Ex. Japan (1890)	241.09	5.2	235.52	163.01	188.73	228.26	5.6	2.51	239.80	235.82	162.90	189.51	227.42	242.39	197.10	197.35
The World Index (2371)	211.10	4.4	206.22	142.73	165.25	180.84	6.3	2.09	209.79	206.31	142.52	164.92	180.14	211.22	181.82	189.92

 [illegible]; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local); Brazil, Thailand and Americas: Oct 31, 1994 = 180.44 (US $ Index), 184.07 (Pound Sterling) and 149.94 (Local). CONSTITUENT CHANGE WITH EFFECT 23/4/96: Deletion: Loral Corp (USA). CONSTITUENT CHANGES DURING THE WEEK ENDING 19/4/96: Deletions: Generale Banque (V V P R) (Belgium), Navigation Mixte (France), Premier Industries (USA), SmithKline Beecham Units (UK), Trafalgar House (UK) and Tabcorp [illegible] (Australia). Name changes: Farnell Electronics to Premier Farnell (UK) and SmithKline Beecham 'A' ord. to SmithKline Beecham ord. (UK).

مكرر من الاصل

MARKETS: This Week

NEW YORK By Tony Jackson

The US debt and equity markets continue to convey a sense of imbalance, with bonds in disarray and the equity market still remarkably robust. Much of this is due to continued optimism over corporate earnings, so the current results season needs careful watching.

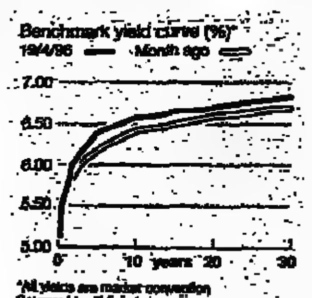
So far, the pattern has been encouraging, with strong results last week from mainline stocks such as Kodak and continued evidence of stock buy-backs. This week brings first-quarter figures from big names such as Procter & Gamble, Xerox and Allied Signal, all of which are expected to raise earnings by well over 10 per cent.

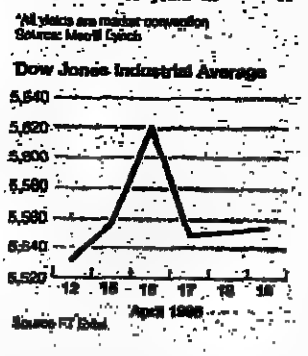
On the other hand, there will be plenty of downturns in cyclical sectors such as chemicals and steel. If they are less severe than expected – as in paper stocks last week – the market could be encouraged.

Dupont will manage a healthy increase in earnings per share as a result of its massive share buy-back from Seagram a year ago. But Dow, Monsanto and Union Carbide are all likely to show falls, while several steel stocks, such as Bethlehem and National, are expected to make a loss.

The bond market, meanwhile, has little to go on in the way of official statistics this week. Tomorrow brings February balance of payments data, which are expected to show a fall from January's seasonally high $10.3bn to less than $9bn (and from last year's monthly average of rather more than $9bn).

Wednesday brings March figures for durable goods orders, expected to be slightly down after February's sharper fall of 2.3 per cent. However, the underlying figure may be less encouraging. February's figure was depressed by low orders for defence and aerospace and this may not be true this time round.





LONDON By Steve Thompson

The UK equity market will be hard pressed this week to match its recent stunning performance, which saw the main indices, the FT-SE Actuaries All-Share, the FT-SE 100 and the FT-SE Mid 250 and the FT-SE Small Cap hitting all-time records on almost every day of last week.

The bulls will be hoping that the latest bout of takeover speculation, one of the driving forces behind the big gains in prices, will continue.

Bid hopes have been focused on utilities and analysts have been quick to point out that with the government's majority down to one and the potential for a snap general election at any time, bidders will have to act before a Labour government emerges.

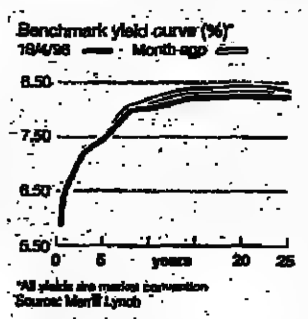
There is some doubt as to whether a Labour victory in a general election is already factored into prices.

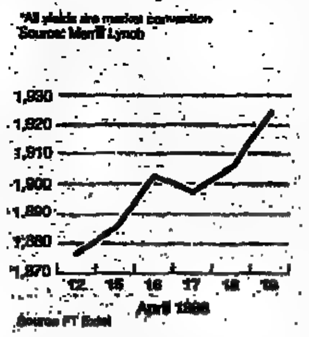
However, dealers have been at pains to point out that much of the new money flowing into UK equities recently has come from the US following the widely publicised visit of Mr Tony Blair, the Labour leader who apparently went down well with the Americans.

In the gilts market, analysts expect Wednesday's auction of 10-year bonds to go smoothly. Mr Andrew Roberts, gilts strategist at UBS, said 10-year paper is relatively cheap compared with German bunds.

The 10-year yield spread of gilts over bunds widened out from 173 to 177 basis points over the course of last week. He also noted a build-up of liquidity among UK investors.

Economic news this week sees M4 money supply numbers on Monday followed on Tuesday by the Confederation of British Industry's quarterly trends survey and on Thursday by retail sales figures for March. The latter are expected to show an increase of 0.6 per cent on the month.





FRANKFURT By Andrew Fisher

It has become a cliché that the Bundesbank loves springing surprises, but that does not stop the German central bank. Its half percentage point cut last week in the discount and Lombard rates to 2.5 and 4.5 per cent respectively – bringing them back to lows last reached in 1987 – had been expected, but most analysts had penned this in for later.

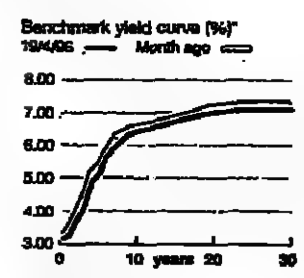
Some economists thought the Bundesbank had lost some of its rigour by acting in a way that so obviously fits in with economic weakness but seems to go against rapid growth in the money supply.

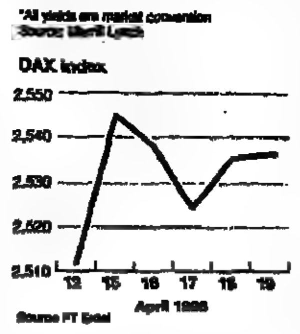
"The Buba [Bundesbank] has shown its willingness to lubricate the necessary restructuring," said Mr Alfred Rosenstock, economist at Industrial Bank of Japan. This was a reference to Bonn's efforts to trim spending and wage negotiators' attempts to agree moderate pay deals. "Now, it is up to the government, employers and unions to act."

Paribas Capital Markets thought the Bundesbank had taken pains not to upset bond markets by leaving the securities repurchase (repo) rate unchanged at 3.30 per cent. "The difficult part of the exercise was to reassure the bond market that the Buba was not taking inflation risks when M3 is running so far above its target."

Paribas said the central bank had "waved a big carrot in front of the market". The move would make the market consider its bearish outlook on short-term rates. It should also now assume the bank will allow the repo rate to fall below 3 per cent, which would support the bond market, resulting in lower 10-year yields.

The stock market rose on the interest rate news, but not very strongly. This week, it is likely to start shakily as share options expires.





TOKYO By Emiko Terazono

While economic indicators released this week are likely to point to the momentum of Japan's economic recovery, market participants expect volatility in bond and equity prices ahead of the "Golden Week" spate of holidays.

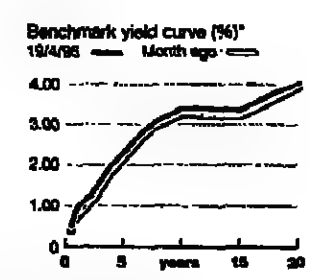
Retail sales and other consumption-related figures are likely to surprise on the upside, says Mr Michael Hartnett, economist at Merrill Lynch in Tokyo. February household consumption and leading indicator data may be too old to grab the attention of traders, but department store, chain store and retail sales are expected to indicate a recovery.

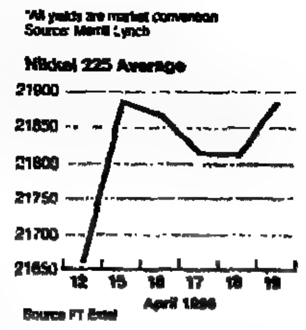
Friday's industrial production figures for March are expected to indicate a significant decrease in output due to inventory adjustment and weaker exports. While negative for the equity market, this will be perceived as positive if it reveals a sharp decline in inventories.

The Nikkei index is likely to test the 22,000 level once again but profit-taking pressure has increased from investment trusts, which bought around the 20,000 level, while foreign buying seems to be waning.

While buying by the Pension Welfare Service Public Corp, the largest state run pension fund manager, is expected provide underlying support – along with bargain hunting by other domestic institutions – breaking 22,000 may take some time, say analysts.

The bond market has remained cautious over prospects of rising short-term interest rates. While weakness in the banking sector justifies interest rates at low levels, comments by Bank of Japan officials show inflation has become a policy-making consideration. Concern over corporate supply lingers and this week's bond auction may trigger profit-taking depending on the outcome.





COMMODITIES By Richard Mooney

No pressure at rubber talks

Progress towards ratification of a new price stabilisation pact for the world natural rubber market will be discussed this week at a meeting of the International Natural Rubber Organisation in Kuala Lumpur, Malaysia.

There appears to be little prospect, however, of any significant move being made to hasten ratification.

"It'll be a very straightforward meeting . . . mostly on house-keeping stuff," an Inro official told the Reuters news agency last week. "The status of the Inra 3 and the importance of its ratification will be discussed at the meeting," he said. "But it's possible that there won't be a dramatic show of commitment at this stage."

Agreement was reached on Inra 3, the third International Natural Rubber Agreement, by producing and consuming states in February 1995, but it has yet to enter into force because of a lack of support from importing states.

The deadline for its signature and ratification was originally set for December 28, but has since been extended to July 31.

The three-day Inro meeting starts on Wednesday, after two days of committee meetings.

● Other events this week include the four-day Americas conference at Bal Harbor, Florida, at which mining company executives, government ministers, bankers, investors and mining sector analysts gather to discuss prospects in Latin America and the Caribbean region.

Today also sees the start of the three-day annual session of the International Nickel Study Group in The Hague, Netherlands, and the publication of the International Primary Aluminium Institute's production data for March.

On Thursday and Friday, New Delhi is the venue for the Indian National Conference on Commodities Futures Markets.

The event, which is organised by Assocham, will include among its participants the chief executive of the Kuala Lumpur Commodity Exchange, the chairman of the Indonesian Commodity Exchange, and officials from the UN Committee on Trade and Development and the World Bank.

OTHER MARKETS Compiled by Michael Morgan

PARIS

The equity market has been upgraded by J.P. Morgan, which has raised its recommendation from underweight to neutral, and raised its year-end target to 2,200 from 1,900, *writes John Pitt.*

Mr Gary Dugan and Ms Caroline Méroz at J.P. Morgan say that despite reservations about the country's budget deficit and the ability of financial stocks in particular to reverse the recent poor performance, "we can see an opportunity for the market to show some modest outperformance in the coming months".

The pair argue that economic activity has been moving forward and has thereby raised the prospect of an upward revision to earnings forecasts in the near future.

"Our decision to move our weighting up to neutral was not an easy one, and we would not want to pretend that there are still not significant risks in the markets . . . However, come the autumn we believe the government will again face big decisions on deficit reduction. This could lead to a period of volatility similar to that seen late last year."

MADRID

Equities managed to overlook the continuing political uncertainty and put in a strong performance last week. They could be given a further fillip this week if, as widely expected, the Bank of Spain moves again to cut its key money rate after the 50 basis point reduction to 7.75 per cent on April 3. Many analysts believe the authorities have room to act after last Thursday's move by the Bundesbank to cut two of its key rates, but warn that the performance of the peseta against the D-Mark is the crucial factor determining the timing of such a move.

Bonds also put in a strong performance, topping the Salomon World Government Bond index last week. Salomon said on Friday that the high-yielding Spanish market gained 1.79 per cent in the week to April 18, in local currency terms, compared with a 0.47 per cent gain in the WGBI as a whole.

HONG KONG

Brokers expect a quiet week with thin trading volumes in the absence of fresh news, *writes Louise Lucas.*

The corporate reporting season has wound up, and there is little on which investors can focus.

Support has been held at 10,800 on the benchmark Hang Seng index, and brokers see resistance at 11,200. The next support is likely to be 10,600. Activity may be spiced up towards the end of the week by the pending expiry of Hang Seng index futures contracts at the end of the month, introducing an element of volatility into the market.

Investment banks are still issuing covered warrants, and second-guessing targets, along with punting second liners, are likely to be key focuses of trading. The Hong Kong listed China shares, or H-shares, will also be carefully watched following last week's announcement of corporate earnings, which were very patchy.

BRADY BONDS

Emerging market debt performed strongly last week, with the West Merchant index of secondary market prices trading at 140.57 at London's close on Friday, up from 137.79 the previous week, *writes Samer Iskandar.*

This represented an outperformance of about 2 per cent over US Treasuries, which were mostly unchanged over the week. The weighted average stripped spread over Treasuries fell by 42 basis points to 794.

Mexican bonds outperformed the index, rising about 3.5 per cent during the week, partly on market optimism following the government's offer to swap up to $2.5bn of Brady bonds for new 30-year dollar-denominated global bonds.

Mr Peter West, economic adviser to West Merchant Capital Markets, believes "investor confidence [in Mexico] is strengthening, with signs that the economy is undergoing a recovery and inflation heading down".

CURRENCIES By Philip Gawith and Graham Bowley

Dollar hostage to developments at G7 meeting

The dollar, for the early part of this week at least, will be hostage to developments arising from yesterday's meeting of G7 finance ministers in Washington. Early reports suggested ministers welcomed the dollar's recovery over the last year, with only tentative hints that officials were looking for the currency to rise further.

Against this background, the dollar is unlikely to make significant headway this week. Only if ministers imply they want more than the dollar appreciation achieved so far would the market be encouraged to buy the US currency.

The dollar's progress upwards has been sluggish of late, despite favourable economic fundamentals such as relatively low inflation, stronger than expected growth and downward pressures on both trade and budget deficits.

This lack of progress can perhaps best be explained by the markets' already bullish position towards the dollar, which makes any further upward moves difficult.

Aside from the G7 and the dollar, traders are sure to focus on the outcome of the Italian election. First prize, from a market perspective, will be a strong government, whether it be from the right or left.

Of the two, a centre-left majority would probably be more enthusiastically received by currency markets, because the left would be keener on an early Italian re-entry into the European exchange rate mechanism.

Speculation about ERM re-entry could well spur a strong rally in the lira, because traders would assume that re-entry would only be permissible to other ERM members provided the lira did not remain undervalued. Some analysts believe Italy could apply for ERM membership as early as June.

If, however, the election fails to produce a clear victor, investors may well be tempted to sell Italian assets, either swapping them for assets in other high-yielders such as Spain, or retreating into the D-Mark for safety. If the latter, this could upset the dollar's rally, especially if it takes place in conjunction with a tepid G7 statement.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Westpac (Australia)	Trust Bank (NZ)	Banking	$1.48bn	Lloyds pipped
Mobil (US)	Ampolex (Australia)	Oil & gas	$1.3bn	Revised rejection
Bank of Ireland (Ireland)	Bristol & West Building Society (UK)	Financial services	$604m	Consolidation continues
Ford (US)	Mazda (Japan)	Car manufacture	$480m	Taking control
Guilbert (France)	W H Smith Business Supplies (UK)	Stationery	$214m	Strategic disposal
Duracell (US)	Eveready South Africa (SA)	Batteries	$127m	Hanson disposal
Gambro (Sweden)	American Outpatients Services	Healthcare	$75m	Renal restructure

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, April 19, 1996. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	7209.07	4750.00	3154.68	4440.70
Albania	(Lek)	150.708	99.3000	65.9494	92.8341
Algeria	(Dinar)	82.6941	54.4865	36.1869	50.9386
Andorra	(French Fr)	7.7537	5.1090	3.3931	4.7763
	(Sp Peseta)	190.313	125.400	83.2835	117.235
Angola	(Read) Kwanza)(1)	48238.8	31784.0	21109.1	29714.4
Antigua	(E Carib $)	4.0978	2.7000	1.7932	2.5242
Argentina	(Peso)	1.5166	0.9993	0.6637	0.9342
Armenia	(Dram)	613.500o	404.230	268.467	377.909
Aruba	(Florin)	2.7167	1.7900	1.1888	1.6735
Australia	(Aus $)	1.9408	1.2788	0.8492	1.1954
Austria	(Schilling)	16.0725	10.5904	7.0335	9.9006
Azerbaijan	(Manat)	6641.45o	4376.00	2906.29	4091.06
Azores	(Port Escudo)	234.614	154.590	102.670	144.524
Bahamas	(Bahama $)	1.5177	1	0.6641	0.9349
Bahrain	(Dinar)	0.5722	0.3770	0.2504	0.3525
Balearic Is	(Sp Peseta)	190.313	125.400	83.2835	117.235
Bangladesh	(Taka)	62.1478	40.9500	27.1967	38.2836
Barbados	(Barb $)	3.0526	2.0113	1.3358	1.8803
Belarus	(Rouble)	20382.7o	13430.0	8919.44	12555.5
Belgium	(Belg Fr)	46.9713	30.9500	20.5552	28.9347
Belize	(B $)	3.0354	2.0000	1.3283	1.8698
Benin	(CFA Fr)	775.370	510.900	339.311	477.633
Bermuda	(Bermudian $)	1.5177	1	0.6641	0.9349
Bhutan	(Ngultrum)	51.9097	34.2000	22.7137	31.9731
Greece	(Drachma)	366.224	241.310	160.264	225.597
Greenland	(Danish Krone)	8.8153	5.8085	3.8577	5.4303
Grenada	(E Carib $)	4.0978	2.7000	1.7932	2.5242
Guadeloupe	(Local Fr)	7.7537	5.1090	3.3931	4.7763
Pakistan	(Pak. Rupee)	52.5451	34.6253	22.9961	32.3707
Panama	(Balboa)	1.5177	1	0.6641	0.9349
Papua New Guinea	(Kina)	1.9534	1.2807	0.8592	1.2095
Paraguay	(Guarani)	3050.56	2010.00	[illegible]	1879.12
[illegible]					

Special Drawing Rights April 18, 1996 Utd Kingdom [illegible]

Abbreviations: [illegible]

PHARMACEUTICAL FT BUSINESS NEWS

MARKETS: This Week

EMERGING MARKETS By David Pilling

Argentine shares recoup losses

When it comes to Argentina's volatile stock market, which climbed 5.71 per cent last week to reach a 10-week high, no "noise" is definitely good news. Noise – a term used to describe the debilitating political bickering that so distresses the Argentine market – has abated recently, allowing securities to regain the ground that had been lost in March.

In particular, analysts have responded to signs that Mr Domingo Cavallo, the battle-weary economy minister, has again patched up his differences with President Carlos Menem after an ugly cabinet scrap last month.

The Argentine market is highly sensitive to the perceived job security of Mr Cavallo, believing that hard-won, but still fragile, economic stability would be jeopardised without the minister's firm hand on the tiller.

"Politically, Cavallo seems much stronger now," says one local analyst, pointing to President Menem's defence of his economy minister after congressional uproar at tax changes introduced by Mr Cavallo last week. The appointment of the non-combative Mr Jorge Rodriguez to the crucial position of cabinet chief is also seen as having strengthened Mr Cavallo's hand.

The temporary restoration of political equilibrium – plus a helpful dip in the yield on the US long bond, which sets the tone for Argentina's dollar-pegged economy – has been enough to push the market along. The Merval index of blue-chip stocks has risen 11 per cent to 558.72 from its early March slump. On Friday alone, the index rose 2.92 per cent on greatly increased volume.

Brady bonds have also bounced back strongly, with FRBs ending the week at an impressive 77 cents. Ms Ingrid Iversen, Latin American debt strategist at UBS, says bonds have responded to political and interest rate stability, as well as to high hopes for a forthcoming Mexican 30-year bond issue, which reflects well on other Latin markets.

Argentina's successful domestic placement last week of $270m of 90-day peso paper at a coupon of only 6.92 per cent also boosted confidence, she says. "There's definitely a good feel in the market."

Sentiment has been encouraged by recent glimmers of hope on what had hitherto been a pretty grim economic horizon. A FIEL survey published last week showed business optimism up marginally for the first time in months, while companies reported higher demand and lower stock levels. Other recent figures showed record steel production in March, and higher motor vehicle sales.

"Investors have been looking for something solid on which to base their optimism," says Mr Peter Schubert, a Buenos Aires-based analyst with brokers Interacciones. "Now, in the last week, we've seen the institutions come back."

Evidence that a fully-fledged recovery is under way, however, is still flimsy. Argentina, whose economy contracted 4.4 per cent last year, has just completed its fourth negative quarter, and few are convinced by official projections of 5 per cent expansion for 1996.

Deflation of 0.6 per cent in the first three months of this year and high unemployment threaten to postpone consumer recovery, as potential buyers continue to delay purchases. Continued recession would put tax targets at risk and increase pressure on the government to kick-start the economy, using expansionist measures likely to unnerve the markets.

Salomon Brothers this month revised down its growth forecast for 1996, from 3.5 to 2.8 per cent – still 0.3 points above the International Monetary Fund's estimate – but remained convinced the economy was "poised for recovery".

The $8bn that fled the financial system last year after Mexico's devaluation has returned. Although banks have been reluctant to lend money into a depressed economy, Salomon believes this "trapped liquidity" will begin to feed into growth in the second half. "The dynamic remains in place that, coincident with a reversal in sentiment, the Argentine economy will recover dramatically," it says.

Investors are still rewarding Argentina for having survived last year's huge external shock with its peso-dollar parity intact. After the Mexican devaluation, Argentina suffered from panic selling on fears that the country's rigid monetary system would crack. The Merval index fell to 262 last March, but sharp recession since then has not been enough to dampen enthusiasm at mere survival and the index has more than doubled.

When the long-awaited recovery actually comes, it is likely to be patchy, making careful stock-picking important, say analysts. Most warn investors off pure consumer stocks whose profits could be hit by sluggish demand, while uncertainty over future telephone tariffs sees many brokers wary about exposure to the so-called Telephone Twins, Telefónica and Telecom.

Some investors also likely to give motor vehicle auto stocks a wide berth in view of the tough competition that will come with the arrival of multinational manufactures.

Several analysts point to YPF, the privatised hydrocarbons company, and Perez Companc, the energy-based conglomerate, as best picks, especially given high petroleum prices. YPF, which does not hedge its sales, will see the full benefit of this in forthcoming results. Profitable utility stocks such as Central Costanera, the Buenos Aires generator, are also popular.

Mr Schubert is also bullish on agriculture-related stocks. This sector bucked last year's recession on the back of high commodity prices and a big increase in Brazilian demand, and prospects look good despite a slowdown in Brazil. As well as obvious choices such as food giant Molinos Rio de la Plata, Mr Schubert is recommending agro-chemical companies such as Atanor, and farm equipment stocks, such as Morixe.

Finally, the hard-hit construction sector could begin to recover given government measures, including the introduction of mortgage securitisation, to propel this labour-intensive industry. ING Barings is recommending IRSA, the property company partly owned by Mr George Soros.

ING BARING SECURITIES EMERGING MARKETS INDICES

Index	22/4/96	Week on week movement Actual	Week on week movement Percent	Month on month movement Actual	Month on month movement Percent	Year to date movement Actual	Year to date movement Percent
World (395)	162.44	+3.58	+2.25	+6.92	+5.61	14.88	+10.06
Latin America							
Argentina (22)	97.25	+3.82	+4.09	+7.72	+8.62	+4.47	+4.82
Brazil (23)	206.01	+2.36	+1.16	+1.11	+0.54	+19.92	+10.70
Chile (16)	183.38	+8.76	+5.02	+7.64	+4.36	-12.29	-6.26
Colombia (14)	161.63	+2.68	+1.69	+8.40	+5.48	-2.42	-1.47
Mexico (23)	86.92	+7.23	+8.85	+12.62	+16.55	+15.33	+20.83
Peru(14)	1,047.66	+13.86	+1.35	-12.08	-1.14	-21.29	-1.99
Latin America (112)	133.95	+5.36	+4.17	+7.97	+6.33	+10.81	+8.76
Europe							
Greece (18)	110.40	+2.49	+2.31	+1.17	+1.07	+12.43	+12.69
Portugal (20)	125.85	-0.76	-0.60	-1.66	-1.30	+9.47	+8.13
Turkey (26)	115.43	-7.50	-6.10	+2.17	+1.91	+32.63	+39.41
South Africa (32)	152.72	+3.53	+2.37	-2.73	-1.76	-0.66	-0.43
Europe (96)	126.44	+1.59	+1.27	-1.26	-0.96	+4.91	+4.04
Asia							
China (24)	43.73	-1.61	-3.59	-3.10	-6.70	+2.81	+6.96
Indonesia (22)	156.35	+4.32	+2.84	+8.14	+5.49	+17.71	+12.77
Korea (23)	144.45	+9.13	+6.75	+12.32	+9.33	+7.52	+5.49
Malaysia (24)	283.78	+4.92	+1.90	+12.30	+4.89	+36.39	+16.01
Pakistan (14)	77.02	-1.63	-2.08	-4.53	-5.58	+3.42	+4.65
Philippines (14)	300.75	-1.58	-0.52	+7.96	+2.72	+41.59	+16.05
Thailand (25)	259.85	-3.97	-1.50	+6.31	+2.49	+7.96	+3.16
Taiwan (31)	165.32	-0.57	-0.34	+36.55	+28.38	+34.49	+26.37
Asia (167)	231.93	+2.54	+1.11	+18.48	+8.66	+28.68	+14.23

All indices in $ terms, January 7th 1993=100. Source: ING Baring Securities.

INTERNATIONAL BONDS By Conner Middelmann

Europe's ABS sector passes new milestone

Last week marked a new milestone in the hitherto sluggish development of Europe's market for asset-backed securities (ABS), but observers are reluctant to hail it as the dawn of a new era.

Citibank on Thursday issued DM1bn of credit card-backed floating-rate notes – the first time a US issuer has swapped dollar-backed receivables into a European currency in an asset-backed structure, and also the first credit card-backed D-Mark issue.

Asset securitisation enables banks or companies to take loans off their balance sheets, thereby freeing up capital and removing the risk of default. The assets are pooled in a bankruptcy-remote special-purpose vehicle which raises money by selling securities to investors. Principal and interest payments on the mortgage-backed or asset-backed securities are funded by the loan repayments.

"We've been issuing credit card-backed deals since 1988 but we are still establishing ourselves in different markets and are expanding our investor base," a Citibank official says. "Last year we did a Samurai transaction and the natural next step was to establish a franchise in a sophisticated, liquid European market, so the D-Mark was an ideal candidate."

Going this route didn't even present higher costs than staying at home. "Even after the swap, this delivers the same economics as a dollar transaction would," the official says. Bayerische Landesbank provided the swap to convert the cash flow from dollars to D-Marks, and Merrill Lynch underwrote the issue.

The notes, which were structured as a soft-bullet three-year offering, pay a coupon of 7 basis points over three-month Libor, closely comparable with interest rates on dollar paper of similar maturities.

While the yield was not seen as generous, the deal met with a good response from investors seeking D-Mark-denominated, top-rated floating-rate debt.

"We have a number of accounts measured against D-Mark Libor as a benchmark, but it's very difficult to buy any D-Mark money market instruments because the Bundesbank has been restricting their issuance," says a fixed income fund manager who bought some Citibank paper.

As a result, most D-Mark denominated FRNs are illiquid and often trade at a yield below Libor. "The spread [on the Citibank paper] is not desperately attractive, but compared to the rest of the D-Mark market it's rather good," the fund manager said.

With German money market funds, created about two years ago, hungry for paper, the Citibank deal is likely to inspire other US securitisers – such as Discover, MBNA Bank or First USA Bank – to tap the D-Mark FRN market.

The timing, too, couldn't be better, as bankers expect to see an increase of D-Mark FRN issuance following the Bundesbank's rate cut last week, which is seen by many as the last cut in the current interest rate cycle.

However, while increased investor comfort with ABSs may spur further issuance, the European market is not about to go through the roof. Indeed, the European ABS market is tiny compared with the US market.

In 1995, Standard & Poor's rated $94bn of asset-backed issues in the US; Europe saw $9.9bn of deals during the same time.

In the first three months of this year, Europe has already had $7.5bn of issuance – although around more than half of that was accounted for by a massive $4bn refinancing for GPA, the Irish-based aircraft leasing company.

Other deals were a £1bn residential mortgage-backed transaction by Birmingham Midshires and a DM500m offering, backed by car-lease receivables, for Volkswagen.

In Europe, the UK market has accounted for by far the largest amount of ABS issuance, boosted in the late 1980s by mortgage-backed deals fuelled by the booming property market, followed by France and Scandinavia.

However, the lack of large, homogeneous pools of assets denominated in one currency has been a major obstacle to the development of a large, liquid ABS market in Europe.

"Within each country there is very little homogeneity, and across the continent there's even less – there are enormous differences in assets, regulatory systems and tax regimes," says Mr Roger Barris, executive director at Goldman Sachs.

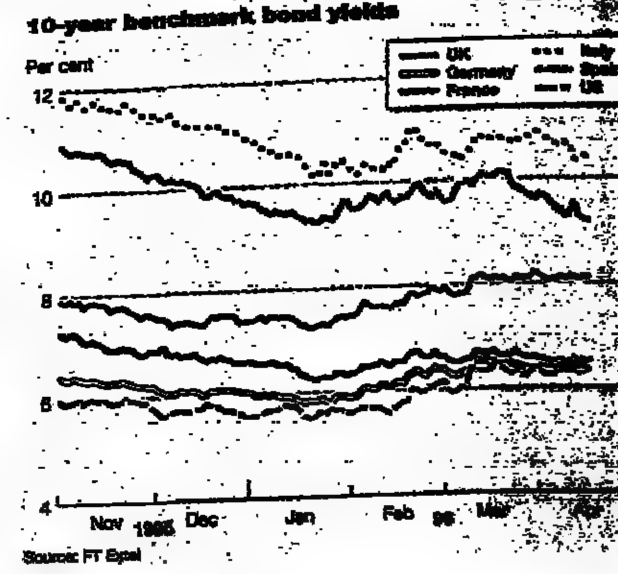
Moreover, unlike European governments, the US authorities have done a lot to promote securitisation by setting up government-backed mortgage lenders like Fannie Mae.

In addition, European banks aren't as keen as their US counterparts to get assets off their balance sheets. "If anything, most UK banks are asset-hungry," says Mr Ashley Kibblewhite, asset-backed syndicate official at Merrill Lynch.

Thus, while market participants' growing interest in asset securitisation will ensure that deals will keep coming, few expect the market to experience a sudden growth spurt.

"For years, people have been saying that a new dawn is just around the corner, but it's not going to happen," says Mr Barris. "Although issuers and investors are feeling more comfortable with securitisation, it'll always be just one of many arrows in the quiver."

10-year benchmark bond yields



Source: FT Extel

INTEREST RATES AT A GLANCE

	USA	Japan	Germany	France	Italy
Discount	5.00	0.50	2.50	5.60*	[illegible]
Overnight	5.13	0.47	3.25	3.80	[illegible]
Three month	5.02	0.45	3.18	3.76	[illegible]
One year	5.51	0.86	3.24	4.00	[illegible]
Five year	6.54	2.40	5.06	5.63	[illegible]
Ten year	6.54	3.30	6.37	6.46	[illegible]

(1) France-Repo rate, (2) 180-Base rate. Source: Reuters.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book-runner
US DOLLARS							
Royal(a)Φ	100	Apr 2000	3.50	100.00	-	-	Nikko Europe
Rabobank Nederland(a)	200	Dec 1998	6.25	100.00R	6.25	+7(6%-98)	Goldman Sachs Intl
Abbey Natl Treasury Services	300	May 1999	6.25	99.804R	6.324	+15(5%-99)	Salomon Brothers Intl
Morgan Guaranty Tst Co of NY	200	May 1999	6.25	99.94R	6.273	+10(5%-99)	JP Morgan Securities
Bank Austria(a)	200	Dec 1997	6.125	99.76R	6.21	+2(5%-98)	Merrill/Nikko Europe
Deutsche Bank Finance(a)	200	Nov 1998	6.125	99.572R	6.25	+10(5%-98)	Deutsche Morgan Gfell
Unibank(j)‡	150	May 2006	(f1)	99.72R	-	-	Chemical/PaineWebber
BFCE‡	150	May 2001	(k)	99.958R	-	-	Chemical Inv Bank
Federal Natl Mtge Assoc(a)	500	Apr 1999	6.50#	99.9375R	6.622	+41(5%-99)	Goldman/Merrill Lynch
Oest Kontrollbank(a)	200	Nov 1998	6.125	99.718R	6.251	+9(5%-98)	BZW
DePfa Bank(j)	200	May 1998	6.125	99.858R	6.203	+15(6⅞%-98)	Commerzbank/Nomura
CS First Boston	150	Apr 2001	7.25	99.91R	7.272	+84(6⅝%-01)	CS First Boston
Kingdom of Sweden(t)	100	May 2001	(r1)	100.07R	-	-	Morgan Stanley Intl
SSLT 96-2, Class A1(a/f)★‡	975	Apr 2001	(s2)	100.00	-	-	Lehman Brothers
SSLT 96-2, Class A2(a/s)★‡	487	Apr 2006	(s4)	100.00	-	-	Lehman Brothers
CCDO(x)‡	200	May 2000	(x1)	99.90R	-	-	UBS
Hewlett-Packard Finance Co	200	May 1999	6.25	99.91R	6.284	+9(5%-99)	M Stanley/Nikko
Tate and Lyle Intl Finance	150	May 2001	5.875	99.742R	6.936	+50(M1 5yr)	UBS
Frome Company(t)‡	122.5	Mar 2001	(t1.a)	100.25	-	-	JP Morgan
BNG(a)	250	Dec 1999	6.125	99.63R	6.225	+5(5%-99)	SBC Warburg
Banque Nationale de Paris(E)‡	150	May 2006	(E1)	99.85R	-	-	PaineWebber Intl(UK)
Banco Sogeral	50	Apr 1999	8.75#	98.695R	9.870	+378(5%-99)	Société Générale
D-MARKS							
DePfa Bank(c,p)	1bn	Dec 2000	6.25	99.67	5.342	-	ByHyp/ByLB/Cmz/DMG
Kingdom of Sweden(g)	300	Dec 2001	5.625	99.82R	5.67	+14(6¾%-01)	SBC Warburg
DSL Finance(d)	300	Jan 2001	5.00	98.39R	5.282	+25(5¼%-00)	Deutsche/Salomon
Helaba Intl Finance(a)	500	Nov 2001	5.75	100.59R	5.624	+10(8¾%-01)	Morgan Stanley/Paribas
AKB Privat-und Handelsbank‡	250	May 2001	(l)	99.94	-	-	WestLB
Hewlett-Packard Fin Corp(a)	200	Dec 1999	4.75	99.75R	4.835	+13(7%-99)	SBC Warburg
BMW US Capital Corp(a)	200	Dec 1999	5.00	100.00R	5.00	+28(7%-99)	Commerzbank
CCCMT 1, S.96-3, Class A(a)‡	1bn	May 1999	(x1)	100.00R	-	-	Merrill Lynch Bank
National Bank of Hungary‡	500	May 2002	(h)	99.90	-	-	WestLB
Euroshield Invs Ltd(B)‡	300	Apr 2002	(B1.a)	101.01	-	-	DG Bank
Air Canada	250	May 2001	7.125	99.50R	7.248	+200(6⅛%-00)	Bayerische Landesbank
YEN							
World Bank, Tranche A(b)★	3.25	Apr 2006	3.25	100.325	-	-	Morgan Stanley Intl
Republic of Argentina(a)★	50bn	Mar 2001	5.50	100.00R	-	-	Nikko Europe
Morgan Stanley Group★	10bn	Apr 1998	(f)	100.215	-	-	Morgan Stanley Intl
SWISS FRANCS							
Shiseido Co(b)★Φ	300	May 2000	0.875	100.00	-	-	Credit Suisse
Asset Backed Capital(g)★	125	May 1999	3.00	101.725	2.065	-	Credit Suisse
GECC★	125	May 2000	3.50	102.25	2.886	-	Bqe Paribas (Suisse)
DePfa Bank(p,a)	100	Dec 1999	3.50	102.70	-	-	Credit Suisse
Daito Kogyo★	65	Apr 2001	4.00	100.40	3.910	-	Sakura Bank (Schweiz)
Unilever(a)	200	Nov 2001	3.50	102.125	-	-	SBC/UBS
McDonald's Corp(B,a)	125	Nov 2009	3.75	103.50	-	-	Credit Suisse/Merrill
PESETAS							
KfW International Finance	10bn	May 2003	8.60	100.725	8.535	-	JP Morgan
Council of Europe(D)	10bn	May 2011	(D1)	101.425	-	-	JP Morgan
STERLING							
Banque Nationale de Paris(a)‡	50	May 1998	(a1)	100.20	-	-	Sanwa International
BNG(a)	725	Dec 1999	7.375	99.655R	7.509	+10(6%-99)	ABN Amro Hoare Govt
Bank of Scotland Tsy(G)‡	100	May 1998	(G1)	100.00R	-	-	SBC Warburg
Argentaria Global Finance‡	125	May 2001	(h)	99.84	-	-	ABN Amro Hoare Govt
GUILDERS							
DSL Finance(a)	250	Oct 2000	5.125	99.59R	5.230	+4(5%-00)	ABN Amro Hoare Govt
FRENCH FRANCS							
Exim Bank of Japan	1.5bn	May 2007	6.625	99.594R	6.708	+12(f)	Banque Paribas
Groupe Danone	1.5bn	May 2001	5.75	99.35R	5.904	+21(f)	Crédit Lyonnais
Ford Credit Europe	1.5bn	May 2002	6.25	99.523R	6.345	+36(f)	BNP
Kansai Electric Power Co	3bn	May 2006	6.625	99.40R	6.709	+15(7¼%-06)	Paribas/Merrill Lynch
LUXEMBOURG FRANCS							
Cerabank Luxembourg	2bn	Jan 2002	(u)	102.60	5.54	-	BCEE/Cerabank
LB Rheinland Pfalz	2bn	Jan 2001	6.75	102.55	5.18	-	BGL/Kredietbank Lux
Aeik-Cper Mco(f)	2bn	Dec 2000	5.50	101.875	5.00	-	Banque UCL
Bremer LB Capital Mkts(a)	2bn	Dec 2002	6.125	102.30	5.70	-	Cdt Euro/Kredietbank
Cragem International Bank	2bn	Jan 2001	5.625	102.25	5.104	-	BIL
ITALIAN LIRE							
European Inv'ment Bank(t)	200bn	Jan 2001	9.80	102.295	8.959	-	BCI/Credito/JP Morgan
ECUS							
WestLB Finance Curaçao	50	May 2002	(l)	101.84	6.13	-	Kredietbank Intl Group
ESCUDOS							
Republic of Brazil(q)‡	12bn	May 1999	(q1)	99.90R	-	-	Bco Chi/Bco Finantia
SWEDISH KRONOR							
KfW International Finance	500	May 2000	7.50	101.09	7.177	-	ABN Amro Hoare Govt
CZECH KORUNA							
International Finance Corp	2bn	Apr 1998	10.00	101.13	9.255	-	HSBC Markets

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. §Convertible. ‡Floating-rate note. ΦWith equity warrants. ★Unlisted. #Semi-annual coupon and yield. R: fixed re-offer price. a) Denoms: $10,000 +2 wnts. Exercise price: Y3,690. FX: 109.45Y/$. b) Denoms: SFr50,000 +50 wnts. Exercise price: Y1,261. FX: 88.96Y/SFr. c) Fungible with DM3bn. Plus 122 days accrued. d) Fungible with DM1bn. Plus 104 days accrued. e) Callable on 14/5/97 at par. [illegible]

Should've talked to CNT.

Whatever business you're in, you could soon find you're in the paperwork business once you decide to move. You'll have to deal with site searches, planning applications, legal shenanigans and negotiating with utilities.

That's why it really pays to make CNT your first call. We can eliminate so much of the hassle of locating or relocating your company.

For a start, we can offer you an exceptional range of land and premises in 19 areas around the country.

We own it all, so you'll be dealing direct.

As we are a Government body, we can often grant immediate planning permission ourselves, and help with grants, personnel, legal issues, utilities and more.

This is the "added value" which comes with CNT land and premises.

So, to cut out huge amounts of paperwork, cut out the coupon for full details or give us a call.

It will be the first, and probably the best move you'll make.

CNT

Fill in the coupon and send to CNT, Box 925, Milton Keynes MK9 3PF

Name: ______

Company: ______

Address: ______

FT/F/12/2/96 ______ Postcode: ______ Tel. No: ______

Call 0800 721 721

Land and premises with added value.

17,000 ACRES 2·5M SQ.FT.

Basildon Bracknell Central Lancashire Corby Crawley Harlow Hatfield Hemel Hempstead Milton Keynes Northampton Peterborough Redditch Runcorn Skelmersdale Stevenage Telford Warrington Washington Welwyn Garden City

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Apr 19 / Sch)

BELGIUM/LUXEMBOURG (Apr 19 / Frs.)

CZECH REP (Apr 19 / Korune)

DENMARK (Apr 19 / Kr)

FINLAND (Apr 19 / Mks)

FRANCE (Apr 19 / Frs.)

GERMANY (Apr 19 / Dm.)

GREECE (Apr 19 / Drachma)

ITALY (Apr 19 / Lire)

NETHERLANDS (Apr 19 / Fl.)

NORWAY (Apr 19 / Krone)

POLAND (Apr 19 / Zloty)

PORTUGAL (Apr 19 / Escudo)

SPAIN (Apr 19 / Pts.)

SWEDEN (Apr 19 / Kronor)

SWITZERLAND (Apr 19 / Frs.)

TURKEY (Apr 19 / TL Lira)

PACIFIC

JAPAN (Apr 19 / Yen)

AUSTRALIA (Apr 19 / Aus$)

HONG KONG (Apr 19 / HK$)

INDONESIA (Apr 19 / Rupiah)

MALAYSIA (Apr 19 / MYR)

NEW ZEALAND (Apr 19 / NZ $)

SINGAPORE (Apr 19 / S$)

SOUTH KOREA (Apr 19 / Won)

TAIWAN (Apr 19 / TW $)

THAILAND (Apr 19 / Baht)

AFRICA

SOUTH AFRICA (Apr 19 / Rand)

NORTH AMERICA

CANADA

TORONTO (Apr 19 / Can $) 4 pm close

MONTREAL (Apr 19 / Can $) 4 pm close

INDICES

Hong Kong Hang Seng(31/7/64)	10818.49	10808.29	10882.89	11594.99 19/2	10094.07 2/1
India BSE Sens.(1979)	3737.86	3737.86	3718.91	3737.86 19/4	2828.88 25/1
Indonesia Jakarta Comp.(10/8/82)	624.53	620.87	624.17	624.53 19/4	532.48 2/1
Ireland ISEQ Overall(4/1/88)	2510.28	2499.74	2495.33	2510.28 19/4	2234.81 2/1
Italy Banca Comm Ital(1972)	619.94	612.50	609.18	638.25 9/2	572.21 23/3
MIB General(2/1/86)	1051.0	1039.0	1031.0	1082.00 9/2	970.80 27/3
Japan Nikkei 225(16/5/49)	21983.84	21812.50	21818.22	21983.84 19/4	19734.70 13/3
Nikkei 300(1/10/82)	310.88	309.51	310.47	311.89 15/4	284.48 11/3
Taiwan Weighted Pr. (30/6/66)	5945.07	5942.80	6087.98	6022.46 15/4	4690.22 6/2
Thailand Bangkok SET(30/4/75)	1318.38	1331.14	1340.47	1465.84 6/2	1267.73 13/3
Turkey Istanbul Cap.(Jan 1986)	65380.1	66612.9	65753.9	72000.00 8/4	39773.30 2/1
WORLD MS Capital Intl(1/1/70)	768.7	762.9	761.0	768.70 19/4	723.90 15/1
CROSS-BORDER Eurotrack 100(26/10/90)	1656.01	1649.21	1648.84	1656.01 19/4	1504.40 11/1
Euro Top-100(26/6/90)	1441.37	1429.64	1424.03	1441.37 19/4	1332.01 11/1
HSBC JC Drgn(31/12/93)	(u)	381.02	392.90	393.16 16/4	344.19 2/1
ING Brngs Emrg(7/1/92)	162.44	161.77	162.21	182.22 5/2	147.35 2/1

US INDICES

NYSE MOST ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
AMR Corp	10,205,400	90¾	-2¾
EMC	8,855,400	19⅝	-2¾
Tel De Mex	7,895,800	37⅝	+⅜
Bay Network	4,877,300	38⅝	+1⅝
IBM	4,871,700	108⅝	—
Wal-Mart	4,722,700	22⅝	+⅛
McDonalds	3,977,600	46⅝	-¼
AT & T	3,918,200	61⅝	+⅛
K Mart	3,866,900	9⅝	—
Grupo Tele	3,641,700	32⅝	+1⅛

TRADING ACTIVITY

Volume (million)	Apr 19	Apr 18	Apr 17
New York SE	422.431	413.378	448.822
Amex	275.949	251.687	273.437
NASDAQ	(u)	507.939	594.459
NYSE			
Issues Traded	(u)	3,129	3,128
Rises	(u)	1,290	970
Falls	(u)	988	1,337
Unchanged	(u)	871	821
New Highs	(u)	104	102
New Lows	(u)	9	18

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
CAC-40 (200 x index) (Apr 4)							
Apr	2095.0	2099.0	+7.0	2099.5	2079.0	11,049	29,226
May	2085.5	2088.5	+7.0	2089.0	2072.0	873	11,761
DAX							
Jun	2528.0	2539.0	+15.0	2540.5	2520.5	19,211	–
Sep	2543.0	2558.5	+12.5	2556.0	2543.0	20	–
OMX							
Apr	1480.00	1498.00	+26.00	1498.00	1480.00	3,722	15,097
May	1475.00	1486.75	+24.25	1486.75	1474.75	1,488	4,410
SOFFEX							
Apr	3599.0	3605.4	+11.9	3605.4	3590.0	3,993	11,992
May	3580.0	3615.0	+38.0	3615.0	3579.0	7,992	14,194
S&P 500							
Jun	645.75	647.05	+1.10	650.80	646.45	71,515	178,488
Sep	654.50	652.45	+1.05	655.80	652.30	215	3,964
Nikkei 225							
Jun	21780.0	21840.0	+80.0	21970.0	21720.0	20,278	200,626
Sep	21950.0	21960.0	-10.0	21960.0	21950.0	2	13,011

Open interest figures for previous day.

** Sat Apr 13: Taiwan Weighted Price 6070.63; Korea Comp Ex 886.87. Base values of all indices are 100 except: Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., BVL 30, SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 20 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Apr 19 - 2535.86 +11.58

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ◆ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¥ Subject to official recalculation.

Prices supplied by Telekurs

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are based on data from Jan 1 1996. # Dealings suspended, xd Ex dividend, xc Ex scrip issue, xr Ex rights, xa Ex all. † Priced in US $.

TOKYO – MOST ACTIVE STOCKS: Friday, April 19, 1996

	Stocks Traded	Closing Prices	Change on day
Nippon Steel Corp	9.1m	373	+1
NKK Corp	8.3m	323	
SS Pharmaceutical	6.0m	1140	+50
Okura & Co	5.1m	980	+71
Mitsubishi Heavy	5.0m	830	-6
Nippon Signal	4.4m	1410	+70
Takiron	4.2m	800	+25
Kobe Steel	4.0m	329	-3
Toshiba Corp	3.9m	820	-10
Hitachi	3.9m	1100	+20

مكرر من الأصل

LATIN AMERICAN MINING

World's treasure chest yields more

The unprecedented mining boom is fuelled by rising world demand and by smaller companies' efforts to remain in the industry, says Kenneth Gooding

From aluminium to zinc, the world already relies heavily on Latin America to provide the raw materials necessary for modern living. Chile accounts for nearly one quarter of the copper mined globally, Brazil is second only to China in output of iron ore while Bolivia is the world's third largest tin producer.

The region is also an important producer of some more esoteric metals and minerals: antimony; arsenic; barytes; graphite; iodine; kaolin; lithium; manganese; molybdenum; talc; tantalum; tungsten, to name but a few. And even salt.

But the world wants more. And international mining companies have decided there is much wealth still to be found in Latin America so the region has been the centre of an unprecedented mining boom.

Mining companies spent more on exploration in Latin America in 1995 than in any other part of the globe. It was the second successive year that the region topped the spending league. According to the Metals Economics Group, an independent Canadian research organisation, the international mining industry spent $3.55bn on global exploration for non-ferrous metals last year, a healthy 21 per cent increase from the 1994 level.

Mining companies budgeted to spend $784m in Latin America, 44 per cent more than 1994's $544m. Within the region, Chile attracted the biggest slice of the exploration cash, $177.6m, followed by Peru, $121m. There are already some big projects in the pipeline. It is estimated it could cost between $8bn and $10bn to develop the top 20 projects. Exploration in the region is devoted mainly to copper and gold and this shows in the list of projects. About 55 per cent of the $8bn-$10bn is for copper projects and 25 per cent for gold.

Another sign of the importance mining companies place on Latin America is the fact that some of the big battles for assets have focused on the region. For example, Barrick Gold fought off Royal Oak Mines to gain control of Lac Minerals, the prize being the El Indio gold mine in Chile's high Andes; Placer Dome of Canada lost to Rio Algom of Canada in partnership with North of Australia in the fight for International Musto and its 50 per cent of the Alumbrera copper-gold project; while Newmont Mining is embroiled in a bitter legal dispute with BRGM of France over the Yanacocha gold mine in Peru, destined to become one of the world's treasure stores.

The reason for all this activity is that the industry is convinced it will not be long before global mining is dominated by a very few, very big international groups. They are scrambling to make sure they are not left behind or gobbled up by another predator.

The pace is hectic because governments that once treated mining groups with deep suspicion have started competing for their favours. Many have watered down or abolished the foreign ownership restrictions and sometimes punitive taxes that previously discouraged companies from exploring large parts of the globe.

Mining groups are also being invited to bid for state-owned mining assets as huge chunks of the industry are being returned to the private sector around the world.

"The mining industry is suddenly confronted with a wide arena of opportunities that have not been available for several decades," says Mr Bob Wilson, chief executive of London-based RTZ-CRA, the world's biggest mining group.

Mr Wilson estimates that since the beginning of the 1990s as many as half the countries in the world have opened their doors to international mining companies and are actively encouraging them to invest. More than 70 countries have changed their mining laws to appeal to foreign companies.

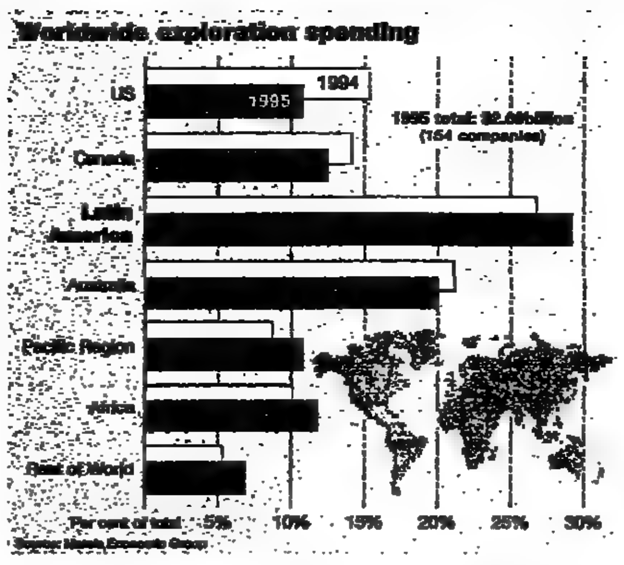
All of this is a big change from 20 years ago, when mining was an industry in which internationally operating companies had virtually ceased to exist after being unceremoniously booted out of one region after another.

The present deregulation process actually started in Latin America in the mid-1980s. Virtually the whole of the region is now actively seeking investment from mining groups. Even Brazil is somewhat reluctantly joining the trend, with plans to privatise its national flag bearer CVRD, the world's biggest iron-ore producer, early next year. The Brazilian government hopes to raise more than $9bn from the deal. And Brazil recently changed the legislation that prevented foreign ownership of mining companies.

The changed circumstances are already having an important impact on the structure of the global mining industry, which has generally enjoyed a prosperous period in the past two or three years, with metals and minerals prices buoyant.

For one thing, they have contributed to a quickening in the pace of consolidation since, for the most part, only big and wealthy companies can afford the assets on offer.

Mr Jerry Ellis, chief executive of BHP Minerals, the Australian group, says the mining industry in the 21st century is "likely to be dominated by a relatively small number of large companies that will be truly global in scope, and internationally staffed".



Latin America might have provided the catalyst to reshape the mining industry but today it faces serious competition from countries in sub-Saharan Africa, which have followed Latin America's lead in changing restrictive rules and regulations. They are competing for the limited amount of capital available. Soon the competition will become even more intense as China, India and the countries of the former Soviet Union start to give the international miners a more positive welcome.

The move to Latin America was led mainly by North American companies in the early 1990s. Conditions were right: metal prices were at a level to generate good profits and improved financial markets enabled junior (or smaller) companies to raise venture capital and seniors to refinance existing debt on more favourable terms.

The North Americans were also concerned about the increased cost of developing projects in the US and Canada where they faced difficulties in gaining access to public land for exploration and where an active environmental movement often protested about any proposed mining project and delayed the permitting process.

However, it has not been a smooth ride recently for small (or junior) companies because the financial community for a while was far less willing to provide cash for any Latin American projects after the sudden devaluation of the Mexican peso in December 1994 and the subsequent financial panic. Some juniors have also over-extended themselves with work commitments and this has weakened their finances.

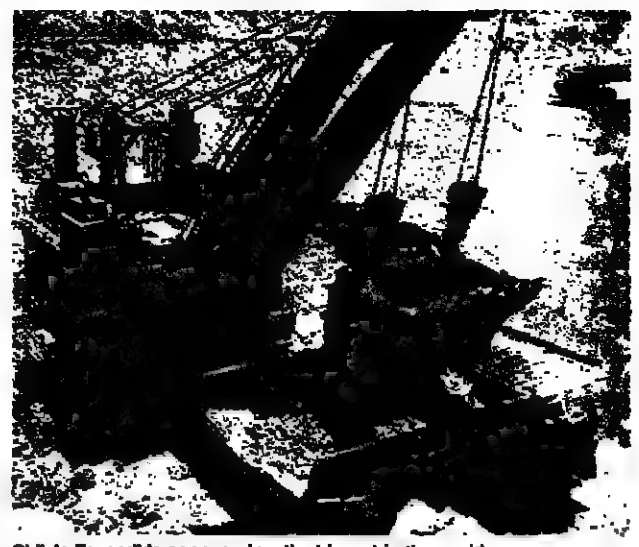
After last year's "Investing in the Americas" conference, which provided a meeting place for government officials from most Latin American countries as well as big and small mining companies, Ms Amy Gassman, analyst at the Goldman Sachs financial services group, said: "In contrast to the enthusiasm of recent years, which celebrated the re-opening of Latin America as a mining region attractive to international companies and capital, a subdued undercurrent this year quietly questioned whether the Latin American mining boom was broadly enough based and financially sustainable."

Ms Gassman added: "Financially strong companies with secure production pipelines will be the ultimate beneficiaries [as Latin America opens up even more]. They can afford to wait to acquire choice positions as the availability of project financing slows and they can store their projects until market conditions improve."

■ **CHILE:** by Imogen Mark

In peak condition

High in the Andes, Chile's already vast copper industry is reaching for new heights


Chile's Escondida copper mine: the biggest in the world

The graph tracing Chilean copper production between 1995 and 2000 rises almost as steeply as the Cordillera de los Andes, which contains some of the world's richest deposits.

In the past five years, national output has risen from 1.6m to 2.2m tonnes of fine copper, and by the end of the decade it is expected to top 4m tonnes, representing about 42 per cent of world production.

Codelco, the state copper corporation, is the world's biggest copper producer – last year it produced 1.16m tonnes. But even more is now being produced by private companies.

This marks a quiet but radical reversal of the revolution 25 years ago, when the Chilean Congress voted unanimously to nationalise the mines.

It did so as a step on the "Chilean road to socialism" preached by President Salvador Allende and his Popular Unity government from 1970 to 1973.

In the ensuing military government of President Augusto Pinochet, the state held on to the former foreign-owned mines, and reorganised them into Codelco.

But at the beginning of the 1980s it also introduced a mining code which guaranteed future mineral rights to the company which discovered them, and also made 1970s-style expropriations virtually impossible. Gradually, foreign mining companies ventured back, tempted by the good-grade deposits. With Chile's return to democracy in 1990, the trickle became a flood.

Escondida was the first big venture, starting in 1990. Its initial output was 330,000 tonnes year, but almost from year one its owners, BHP of Australia, RTZ in London and a group of Japanese smelters, were planning expansions. By the middle of this year the company expects to be producing 800,000 tonnes a year, making it the world's biggest copper mine.

Mr Ken Pickering, Escondida's president, says it also plans a further expansion to heap-leach an oxide deposit to produce 125,000 tonnes of copper cathodes. If all goes well, the extra production will come on stream in a couple of years, bringing Escondida up to the 1m tonnes a year mark by the turn of the century.

Hot on Escondida's heels comes Collahuasi, the newest mega-project. Owned jointly by two big mining houses, Falconbridge of Canada and Minorco, Anglo-American's European arm, Collahuasi has pencilled in production of 330,000 tonnes a year of concentrates plus another 50,000 tonnes of cathodes. The production start-up date is "towards 1998".

The Collahuasi property, like Escondida, has huge potential. Reserves are an estimated 3bn tonnes, but one of the known deposits, called Rosario, is still not fully explored and defined.

The mine site is at a punishing 4,500 metres above sea level, and the project team have been studying the problems of working at such high altitudes, according to Mr Steve Kesler, its chief executive officer. All operations have been designed to require the minimum physical effort, from power-assisted steering on all vehicles to easy-access for machinery.

"We've put in the best possible communications systems between the mine site, the port, the offices in Iquique [the nearest town, three hours from the mine] and Santiago, so we need the fewest possible people on site at the mine," Mr Kesler says. Finding the right people is one of the hardest tasks. Chile has almost full employment, and there is a lack of skilled labour at all levels.

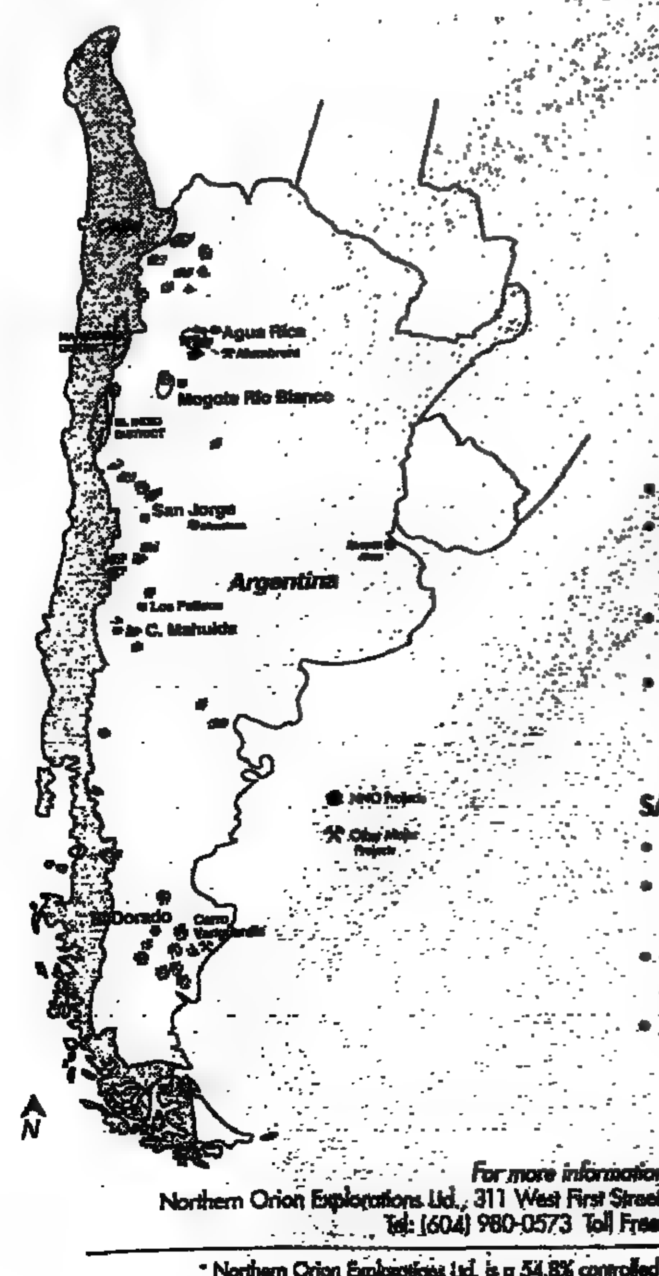
As a result, "the costs of doing business in Chile match US levels," Mr Kesler says.

Collahuasi and Escondida, along with other foreign mining companies, expect to have to train their own workers.

Recruiting, relocating, training and housing, as well as the infrastructure preparation, will represent a full quarter of Collahuasi's total $1.76bn investment, Mr Kesler says. The infrastructure includes access roads, a port and water distribution.

A third large-scale project belongs to Chile's only big native mining entrepreneur, Mr Andronico Luksic, who owns the Los Pelambres mine. He plans to raise production from its current 22,000 tonnes a year to 230,000 tonnes by around the end of the century.

Codelco, finally, has its own plans for expansion. It has a joint-venture, the El Abra mine, with Cyprus Amax of the US, which should start producing 225,000 tonnes a year in 1997. It has also started work on a new wholly-owned venture, Radomiro Tomic, which will produce another 225,000 tonnes by 998.



HOW THE FINANCE IS RAISED: by Bernard Simon

Canada holds the key

Half the money to finance "the mother of all lotteries" is coming from Canada

A surge in exploration activity combined with investors' appetite for emerging markets has created an active – some would say over-heated – market in the shares of junior mining companies seeking fame and fortune in Latin America.

Share prices on the Toronto stock exchange tell the story. Arequipa Resources, which is looking for gold in Peru, has jumped from less than a dollar last May to a mid-February peak of C$13.88. Northern Orion Exploration, with gold and copper properties in Argentina and Cuba, more than doubled between the end of December 1995 and early February.

Even these two companies *pale beside* Guyanor Resources, whose price quintupled to over C$15 during March on reports that it had found diamonds in French Guyana.

The activity is centred on Canadian stock exchanges. *Many of the small exploration* companies are headed by entrepreneurs who cut their teeth in the swashbuckling atmosphere of the Vancouver and Alberta exchanges, or by former executives at larger *North American* metal producers.

Generous "flow-through" tax incentives helped nurture Canadian exploration companies in the late 1980s and early 1990s. Furthermore, the withdrawal of banks from exploration financing over the past decade created an opening for securities dealers to put together equity deals.

Three Canadian securities firms – First Marathon, Gordon Capital and Yorkton Securities – pioneered financing for Latin American exploration in the early 1990s.

Mr Philip Martin, Gordon Capital's director of mining finance, says that European investors were first to appreciate the opportunities. "The Europeans were the ones who could see the mystique in it," he says. But the interest is now far more widespread. Several dozen analysts in North America and Europe cover Latin American mining and exploration. Mr Frank Giustra, *Yorkton's chief executive*, estimates that about half the demand for new equity issues comes from Canadian investors, with the rest split almost equally between Europe and the US.

Debt finance on a significant scale normally becomes available only when properties yield sufficiently encouraging drilling results to justify a full feasibility study.

> Soaring mining share prices on the Toronto stock exchange tell the story

The progression from speculative equity funding to more traditional sources is illustrated by Bema Gold, a small Vancouver-based company that began looking for gold in northern Chile in the mid-*1980s. Bema struggled in its* early years to obtain funds for exploration at its Refugio property.

But it gained a shot in the arm in mid-1993 when US-based Amax Gold bought 50 per cent of the project. Bema raised C$11m in new equity that year.

In 1994, a bank consortium, including Canadian Imperial *Bank of Commerce, Crédit* Lyonnais, Deutsche Bank and NM Rothschild, put up $85m in project finance. In addition, investors bought $33m of convertible debentures. Refugio began production in early April at an annual rate of 200,000 ounces. Bema's share price more than doubled in the *three months to February 1996.*

Export credit and regional development agencies are also in some cases a significant source of project finance.

Mr Rex McLennan, treasurer at Placer Dome, the senior Vancouver-based producer which operates mines in north and south America as well as the Pacific Rim, notes that "project finance is not so much a source of funding as a means by which we share certain risks".

According to Mr McLennan, political risk is a key determinant in Placer's financing decisions. In Chile, which by common consent offers the most attractive investment climate *in Latin America, Placer* financed its 50 per cent stake in the $600m Zaldivar copper mine entirely from its own balance sheet.

However, it is likely to turn to outside sources to help finance a proposed gold and copper mine on the 70 per cent-owned Las Cristinas property in Venezuela. Mr McLennan notes that Venezuela's credit *rating is a single-B*, which puts it below normal investment grade. "We're prepared to accept a good part of the risk, but we want to share a part of it," he says.

Whatever political risks there may be in Latin America appear so far to have been of little concern to investors in *junior exploration* companies. As Mr Martin sees it, most countries in the region now offer an hospitable environment. Gordon Capital had little difficulty recently raising finance for Chivor Emeralds, *which is looking for gemstones* in Colombia.

"When you invest in this stuff, you're taking the metal price risk, but you're looking for exploration upside," Mr Martin says.

It remains to be seen how long the boom lasts. Mr Giustra predicts that interest will be kept alive for another 5-10 years by a discovery or two a year on the scale of the recent nickel find at Voisey's Bay in *Canada, or the apparently* huge gold belt in Kalimantan, Indonesia.

But not every stock has been a winner. KWG Resources, which is drilling for gold in Cuba, soared to C$20 on the Montreal stock exchange in late February. But its shares had tumbled backbelow C$12 in early April after drilling results failed to meet expectations.

Mr Martin acknowledges that the best opportunities for investing in Latin American mining may be past. Shares of most exploration companies with interests in the region have slipped from their early 1996 peaks. For instance, Guyanor Resources was trading at C$10.75 in early April, almost a third below its peak.

The focus of exploration finance in emerging markets has recently moved on to south-east Asia and Africa. Despite his long-term confidence, Mr Giustra calls the market in junior exploration stocks "the mother of all lotteries".

SOME MINING PROJECTS IN LATIN AMERICA

Deposit	Country	Company	Cost ($m)
Collahuasi	Chile	Falconbridge/Ang. American	1,500
El Abra	Chile	Cyprus/Codelco	1,000
Salobo	Brazil	Anglo/CVRD	800
Alumbrera	Argentina	MIM/Musto	750
Zaldivar	Chile	Outokumpu/Placer	600
Candelaria	Chile	Phelps Dodge/Sumitomo	560
El Indio Region	Chile	Barrick Gold	500
Radomiro Tomic	Chile	Codelco	500
Quellaveco	Peru	Anglo American	500
Escondida	Chile	BHP/RTZ etc	550
Cerro Verde	Peru	Cyprus Amax	400
SPCC	Peru	Asarco	560
Las Cristinas	Venezuela	Placer Dome	400
Lomo de Hierro	Venezuela	Anglo Jordex	300
Centromin	Peru	new owner	500
Cerro Corona	Peru	Barrick Gold	250
Refugio	Chile	Bema/Amax	200
Cerro Vanguardia	Argentina	Anglo American	200
Various gold	Mexico	various	200
Tintaya	Peru	Magma	100
Total investment			$10,160m

Source: Rio Algom

COLOMBIA: by Sarita Kendall

The green and the black

As the coal industry steams ahead, emeralds are to be given a higher profile

Mining is changing in Colombia. Having digested the experience of three major foreign-backed ventures – two in coal and one in nickel – the *government and the private* sector are preparing legal reforms which will ease the way for companies taking on new projects. At the same time, several new coal blocks are being put on offer and Colombia plans to re-vamp the emerald business, beginning with a world emerald congress *in November.*

Setting out to change politically sensitive legislation when the president is involved in an election funding scandal which could lead to his downfall may seem unrealistic. *However, there appears to be a* consensus that the state role in mining should be reduced to a minimum and that, as it stands, the law does not work for large scale projects, nor does it fit in with the 1991 *Constitution.*

The mining sector earned $1.6bn in 1995, providing about 15 per cent of Colombia's export income. Coal led the way and, with all the production increases planned for the coming years, it will continue to do so.

"The price is on the upturn and Colombia has some of the world's largest deposits of high quality steam coal. They can be worked by open pit mining and they're near the coast," said Mr Daniel Vargas, an engineering consultant for *the Australian Trade Commission* (Austrade) and other groups. "We have a small coal rush on here."

Both RTZ-CRA and Glencore have recently bought into coal mining ventures through local companies, while the Australian company BHP is also looking for openings. Although *the government* plans to sell off its half share of the northern Cerrejon mine, the privatisation process has not begun and no dates have been set. Last year El Cerrejon, *which is operated by the* Exxon subsidiary Intercor, produced 13.5m tonnes and a coal washing plant now being installed should raise output by at least 2m tonnes.

The steam coal deposits run southwestwards from northern Cerrejon to the Drummond mine at La Loma. Both Drummond, which *is building up to* a production of 12m tonnes a year, and the northern Cerre*jon mine have* purpose-built infrastructure with ports at Cienaga and Puerto Bolivar respectively. However, smaller-scale operators in the area between the two big mines are trucking coal to the Caribbean coast.

Ecocarbon, the state coal enterprise, is putting up four blocks ranging from southern Cerrejon to the La Loma area for exploration and exploitation, as well as a 2m tonnes a year project at El Hatillo. There are plans for a separate *deep-water port to serve* producers around La Loma, while studies for another port which would channel exports from the centre zone of Cerrejon are also under way. Even without the new projects, current developments should take Colombia's steam coal exports over 30m tonnes by the year 2000.

The reforms to the mining law will help make Colombia more competitive, though changes to royalty payments – among the highest in Latin America – will have to be negotiated separately. Companies recently agreed on a draft of the new law at a round table organised by Austrade: the private sector will be responsible for exploiting mining resources and promising areas will no longer be frozen for state ventures; leases will last *for an indefinite* period, with no reversion of mines or infrastructure to the state; red tape will be reduced and the requirements for environmental permits will be simplified.

If all this sounds too good to be true, Mr Vargas points out that the legislation will certainly take more than a year to get through *and it will* probably be mutilated along the way. Despite existing disadvantages, including a lot of guerrilla activity in mining areas, Colombia continues to attract foreign interest.

Gold panning in Antioquia — Picture: Sarita Kendall

Mr Antonio Jose Sanchez, head of the state mining com*pany Mineralco*, hopes to attract more than interest with a series of emerald mining events in November. Colombia will host the first world emerald congress, with a display of equipment and jewellery, and an auction of gemstones and trips to the mines.

"We produce 60 per cent of *the world's emeralds* and the most beautiful ones," said Mr Sanchez. "We want to show off our emeralds and invite investors and scientists and marketing experts. It's time to improve technology and add value to the stones – we want to promote them as jewellery."

He sees the congress as part of a drive to bring the *emerald* "above ground" in more senses than one: the business has long been associated with banditry, illegal prospecting, money laundering and smuggling. band. Industry statistics are notoriously unreliable, but last year's official exports totalled some $490m, putting emeralds in fourth place behind oil, coffee and coal.

If the move to cut and polish stones locally and create a more sophisticated jewellery sector is successful, this will *boost the domestic* demand for gold. In pre-Columbian times indigenous cultures produced extraordinary quantities of exquisite jewels and ornaments which were carelessly melted down by the Spaniards *for their gold content. Now* most of the pieces find their way to the central bank's gold museum, while thousands of gold panners and a very few companies produce for the international market.

An experienced *geologist* who specialises in gold believes that Colombia should be producing far more than it does. "There are gold deposits of all kinds in all but two of our departments. The problems lie in getting projects going – and the obstacles are not in nature, but in the *bureaucracy, the public order* situation and the lack of infrastructure. This is not a place for the biggest companies with rigid rules, those that know how to adapt are the ones that will make it."

Although nickel earned $185m in 1995, compared with $274m for gold, nickel exports are edging up. The Cerro Matoso plant will be increasing production by 11 per cent this year to 60m lbs. Mr Fernando Jaramillo, the manager of Cerro Matoso, says a $20m investment programme to "debottleneck" the plant will take output up to 80m lbs by the year 2000. This should make *the sale of 47.7 per cent of the* Cerro Matoso operation an attractive proposition and the government hopes to have the guidelines for the sale laid out by the end of this year.

هكذا من الاصل

■ **BRAZIL:** by Jonathan Wheatley

Return to a golden age

Brazil's stability may revive its mining reputation to a level not seen for 200 years

Mr Miguel Navarrette, the new director general of Brazil's national mining department (DNPM), has big ambitions. "Brazil could easily become the biggest mineral producer in Latin America," he says. "We will soon return to our natural position as a great mining nation."

There is good reason for Mr Navarrette's optimism. Last September, congress voted to remove from the constitution a ban on foreign control of mining operations. Brazil's new economic stability provides a better operating environment, and tax changes add to the attraction. Brazil, says a foreign executive, "certainly has the natural endowment to justify aiming for leadership in Latin America."

Brazil has not enjoyed such prominence in mining since the 18th and early 19th centuries, when it was the world's biggest gold producer. When other countries caught up, its boom-bust economy turned to coffee and rubber and a century went by before mining again became significant during the country's post-war industrialisation.

Although its mineral resources remain greatly under-exploited, however, Brazil is no lightweight. Government-controlled mining giant Companhia Vale do Rio Doce (CVRD), which may be privatised by next year, is the world's biggest exporter of iron ore. The country is also a big producer of bauxite, kaolin, manganese, gold, tin, gemstones and many industrial minerals. But the potential for expansion of the industry is enormous. Vast areas of Brazil – which covers 8.5m square kilometres, or about half of South America – remain unexplored, although gold is known to be present in most parts of the country.

Other than CVRD, which spends up to $80m a year on exploration, few Brazilian companies have the resources to locate and exploit new mineral deposits. That means much investment has come from foreign companies. When the 1988 constitution limited foreign participation in mining operations to 49 per cent, investment in exploration immediately dropped, from $159m a year between 1980 and 1988 to around $50m a year since then.

Some foreign companies were able to live with the restriction. RTZ-CRA, which has been in Brazil since 1971, says it has spent around $10m a year on exploration in recent years, operating through joint ventures with local partners. "The change in the constitution means a lot in terms of freedom to operate, but the restriction never stopped us investing in exploration," says Mr Júlio Lameiras Carvalho, financial director at RTZ-CRA's office in Brasília. "We always took a long-term view, and we always expected the restriction to be lifted eventually."

> New arrivals should hasten modernisation of gold mining, still largely carried out by wildcat gangs

The same is true for some new arrivals. Barrick Gold, which has been in Brazil for three years, says it will spend at least 10 per cent of this year's $52m worldwide exploration budget in Brazil. "The constitutional change didn't lead us to increase our budget, but we're very happy about it for operation reasons," says Mr Alan Hill, vice-president for corporate development in Toronto.

For others, though, the end of the ban on foreign control acted like a starting gun for a new gold rush. According to the mines and energy ministry, about 60 foreign companies have sent delegations to Brazil for the first time since the end of last year, almost all of them interested exclusively in gold. Investment is rising accordingly. Mr Navarrette at the DNPM says spending on exploration should reach $200m a year by the end of the decade.

The new arrivals should hasten the increasing modernisation of gold mining in Brazil, much of which is still carried out by wildcat "garimpeiros" working surface deposits. From a peak of about 300,000 in 1989, the number of garimpeiros has dwindled as surface mines have been exhausted; their share of Brazil's gold production has fallen from 90 per cent of the 40 tonnes produced in 1980, to 34 per cent of the 65 tonnes produced last year. As the garimpeiros move on, new entrants will drill deeper for underlying reserves.

Other changes are making the operating environment more attractive. One is the greater autonomy enjoyed by the DNPM since 1994. It is responsible for granting and overseeing mining licences and for promoting investment in mining. Industry observers say the DNPM was regarded in the past as slow-moving and inefficient. Its new status, they say, has resulted in faster processing of licences; Mr Navarrette's appointment in March was particularly welcomed. "He has good ideas, he should get the DNPM into shape," says one executive.

Some observers are concerned that CVRD and other Brazilian companies are sitting on exploration licences for large parts of the country, leaving little room for new entrants. The DNPM grants licences for three years, renewable for a further two; if it is not satisfied that licensees are actively exploring the property, the licence is revoked. "There's a general industry awareness that this system hasn't worked in the past," says another executive, "but the situation is certainly improving."

Recent changes to corporate income tax and withholding taxes on foreign companies have improved the fiscal position of foreign operators. But executives say Brazil still taxes heavily. Like local businessmen, they want to see a reduction in the social security and other payroll taxes that add over 100 per cent in additional charges to the cost of paying each worker.

Mr Navarrette says the DNPM is lobbying for specific tax breaks for mining companies, but any progress is likely to take time.

Other costs have risen recently. Various government departments like to quote surveys showing that costs of mineral exploration in Brazil are on a par with those in Australia and much lower than in Canada.

Mining executives say this is true outside the Amazon basin. Inside the Amazon, where many foreign companies are looking for gold, transport and infrastructure costs are much higher. "Costs like air transport, drilling, vehicles, are absurdly high," says one executive.

Despite these reservations, foreign executives are unanimously positive about Brazil's prospects. "We are very enthusiastic about Brazil. It's a very good place to be," says Hugh Leggatt of Placer Dome's corporate affairs department in Vancouver.

Mr Navarrette hopes more companies will feel the same way. With the upturn in Brazil's economy over the past two years, he says, "Brazilian mining companies have not been able to supply the needs of local industry." He says the industry needs to invest $4bn in exploration and $31bn in production between now and 2010. "To achieve that, we need to keep improving the investment climate."

BRAZIL'S MINERALS PRODUCTION 1994

MINERAL	TONNES	US$m (1992 values)
amianthus	191,900	111.4
bauxite	8,280,800	208.6
kaolin	953,000	104.5
coal	4,335,600	103.3
copper	39,674	200.4
chromite	147,200	41.4
ornamental stones	2,000,000	234.8
tin ore	22,500	132.9
iron	165,651,000	1,853.8
phosphate	3,533,400	220.1
fluorite	78,200	13.5
gypsum	870,800	5.8
magnesite	279,600	35.2
manganese	2,321,000	138.8
nickel	16,508	96.8
niobium	14,400	13.3
gold	71,000 kg	911.5
potassium	230,400	49.6
zinc	187,304	174.3

Source: DNPM

■ **BOLIVIA:** by Sally Bowen

Exploration stampede

More than 35 companies have joined the latest hunt for precious metal deposits

It is a measure of the stirring of interest in Bolivian mining that investment in exploration has increased almost ten-fold in the past five years.

"We're sowing the seeds of the future," says Mr Fernando Loayza, Bolivia's under-secretary for mining. "At the start of this decade, annual investment in exploration and development of new mines was under $5m a year. In 1994, that jumped to $15m and last year it was $34m. This year we expect private companies to put in around $45m."

The 35-plus foreign companies, which include a large number of Canadian juniors but also some big names, are spread across the national territory though the bulk of exploration interest is in three main areas. These are the "Los Lipez" deposits in the south near the Argentine border, the pre-Cambrian shield to the east and the alluvial zone north of La Paz.

Most of the newcomers are in search of large deposits of precious metals: gold or, increasingly, silver. Much excitement surrounds the San Simon area, in the extreme east of Bolivia, close to the border with Brazil. Here Bolivia's Excalibur, headed by pioneering Corsican-born Mr Jean Marc Teisseire, is in a joint exploration venture with Eaglecrest of Vancouver.

Prospectors have identified a gold-bearing anomaly at least 45km by 15km but "it's a mineralisation not known in Bolivia and, so far, no-one really understands it", he says. According to Mr Teisseire, the daunting security problems in the lawless frontier zone have now been controlled and agreements reached with the "barranquilleros" or informal miners already digging out gold with pick and shovel.

Much further east, in the pre-Cambrian zone, another gold deposit is due to come on stream in October. This is Puquio Norte, a joint venture between RTZ-CRA and Comsur, Bolivia's largest privately-owned mining company.

"It's on schedule and within budget," says Mr John MacLean, RTZ-CRA's chief executive officer in La Paz. This is the first mechanised operation in eastern Bolivia and involves agitation leaching. The partners have invested some $20m and Puquio Norte is expected to produce some 35,000 oz of gold annually from next year.

Gold is undoubtedly the new star in the Bolivian mining firmament. Official output rose from around 13 tonnes in 1994 to 15 tonnes last year (continuing smuggling pushes that figure rather higher) with exports earning $180m, more than any other metal. Battle Mountain's huge Inti Raymi operation – the second largest gold mine in Latin America after Peru's Yanacocha – is responsible for the greater part of this.

"But within the next four years or so, Bolivia could easily have another eight gold mines on stream," says mining consultant Mr Charles ("Scotty") Bruce.

The gold-led recovery is a welcome change from the years of depression which followed the collapse of tin prices in the 1980s. Last year, minerals generated $580m with $483m sold outside the country (17 per cent more than in 1994), some 44 per cent of total export earnings. While gold accounted for around a third of that, zinc output topped 141,000 tonnes with exports earning $146m or 27 per cent of the total as tin slipped to 17 per cent. Silver, for which Bolivia has been famous since colonial times, is undergoing a revival and, in 1995, accounted for 14 per cent of output by value.

Last year's sharp increase in zinc output (some 45 per cent up on 1994 and a near-record) is almost entirely due to the new Bolivar mine, a joint venture between Comsur/RTZ-CRA and state-owned Comibol. The private sector partners have invested $15.5m in a new concentrator plant since successfully bidding for the ailing state mine in 1993. This year, in full operation, Bolivar should produce 38,000 tonnes of zinc, 1.5m oz of silver and 500 tonnes of lead.

Bolivar is an example of what can be achieved through the comprehensive divestiture programme that Comibol has embarked on. The once-mighty state-owned company, which a few years ago produced almost two-thirds of all Bolivian mineral output, is already dramatically reduced: last year it was responsible for under 7 per cent of all production. Small miners and cooperatives (which group hundreds of individuals, mainly working in extremely primitive conditions) accounted for 36 per cent of output and medium-sized mining companies for the lion's share, 57 per cent, five per cent higher than in 1994.

Comibol continues to auction its undeveloped deposits. On July 12, private sector prospectors will have a fourth chance to acquire properties via joint ventures or leasing.

Capitalisation (by which a "strategic partner" bids for 50 per cent of the state assets and brings in much-needed investment) of Comibol's tin and antimony smelters at Vinto has suffered considerable delay. Much of this responds to resistance by workers in the Huanuni and Colquiri mines which Comibol would like to include in the Vinto package.

Both are world-class, if relatively small, mines with many years of life ahead of them. Renison Gold of Australia, Glencore of Switzerland and Parana-Panema of Brazil, all pre-qualified to bid for Vinto, are believed to maintain a keen interest. So far, however, the hostile workers (970 of them between the two mines) have inhibited on-site inspections.

■ **ARGENTINA:** by David Pilling

The barriers have fallen

The removal of Argentina's bias against foreigners has opened the floodgates

A few years ago, Argentina did not figure on the mining map. But a handful of spectacular mineral finds, progress towards economic stabilisation and the overhaul of previously off-putting mining and investment codes have changed all that.

A recent poll of mining analysts placed Argentina first out of 140 countries as offering the best opportunities for discovering mineral resources. More than 50 mining companies from Canada, Australia and South Africa are already exploring Argentina's almost virgin territory.

Foreign interest has been "spectacular", according to Mr Fillol Casas, president of the Argentine chamber of mining entrepreneurs. He predicts that, based on current trends, Argentina could see $3bn in mining investment over the next five years. Mining officials say the country could be exporting $1bn worth of minerals annually by 2000.

Interest in the sector was sparked by recent changes in the mining code, whose nationalist tendencies had for half a century blocked foreign investment in non-renewable resources. The gap left by foreign capital had not been filled by local investors, who preferred to make money by speculating in the high-inflation economy, or reaping handsome profits from the country's rich agricultural land.

The market-oriented administration of President Carlos Menem has moved to reverse decades of neglect by seeking to promote mining investment. New laws offer foreign companies reasonable and constant tax levels for 30 years, as well as several investment incentives, such as the import of capital equipment exempt of value-added tax.

The federal nature of the constitution, which gives each of Argentina's 24 provinces ownership rights over mineral resources in their jurisdiction, has been partially overcome by capping the royalties that provincial governments can charge. Many mining executives say that, at least on paper, Argentina's mining code is among the most attractive in the world.

Such changes have given rise to extensive exploration, both in the western Andean provinces, which share a

Continued on next page

■ **VENEZUELA:** by Raymond Colitt

First steps on the ladder

Mining companies are to be lured with incentives devised for the oil industry

By removing foreign exchange controls and implementing an overall economic stabilisation plan, Venezuela is trying to reassure foreign mining companies interested in the mineral-rich Guiana Shield, the mass of rock underlying almost half of Venezuela.

For decades the mining sector has been overshadowed by the Venezuelan oil industry. "The sector has been abandoned," says minister of energy and mining, Mr Edwin Arrieta. "But we are determined to jump-start it by implementing proper legislation and opening the doors to foreign investment."

Congress is looking at legislation to open up the mining sector, currently dominated by the state-owned Corporación Venezolana de Guayana (CVG). It would introduce a regulated tender process for mining concessions instead of the old practice of allocating properties on a "first-come basis".

Investors would team up with a new state holding company similar to PDVSA in the oil sector, rather than with CVG or the ministry of mining. "The lack of a modern mining law is a serious drawback to operating in Venezuela," says Eric van Heyst with Monarch Resources, the largest private gold producer in Venezuela and one of the companies that entered into a joint-venture with the CVG in a first semi-official attempt to attract foreign investment in the 1980's.

Monarch, which set up shop in Venezuela in 1987, operates and owns a 51 per cent share in the Revemin gold mill, which in 1994 produced 28,374 ounces.

Beginning in May, 10,000 tonnes of hard rock feed per month from El Callao Mining Corporation's Lo Increible property will boost the mill's gold output by some 25,000 ounces over the next year.

One disincentive could be a plan to raise royalties from 1 to 4 per cent. However, Mr Arrieta says he is having second thoughts about this. "Our main concern is to be competitive on the international level," he says.

Among foreign companies who are closely studying the government's thinking is Canada's Placer Dome, which recently presented its minority-share holding partner CVG with a half-billion dollar development plan for Las Cristinas gold deposit, the largest identified in Venezuela.

With estimated mineable reserves of 8m ounces of gold, the operation could produce an average of 450,000 ounces of gold per year for 14½ years at an average total cost of $310 per ounce, net of copper credits. A final authorisation hinges on the completion of talks to clarify the fiscal and regulatory regime. Mr Arrieta said that Placer Dome and the mining sector in general could also be given a special investment regime with "certain tax concessions" similar to those in the petroleum sector.

As well as gold, Venezuela sees potential in other minerals. A recent find of significant kimberlite deposits in the south-eastern state of Bolivar has increased hopes of boosting diamond reserves and production from its current 295,116 carats.

■ **PERU:** by Sally Bowen

Everything must go

Copper and other reserves are to go under the hammer in a series of state auctions

After a quietish spell, mining privatisations – which jump-started foreign investor interest in Peru – are set to recommence with the auction of the important copper deposit of Antamina in mid-May.

Antamina marks the unofficial kick-off of a second attempt to transfer state mining and refining giant Centromin to the private sector. After failing to attract a single bid when offered as one unit in May 1994, *Centromin has now* been split into a series of production units and undeveloped prospects.

"I have no doubt whatsoever that the Antamina sale will be successful," says Mr Juan Carlos Barcellos, president of Centromin and head of its Cepri, or special privatisation committee.

Several major international companies are completing geological studies prior to the April 26 deadline for pre-qualification.

Located in the department of Ancash north-east of Cerro de Pasco, Antamina is one of Peru's prime copper prospects. Its 129m tonnes of proven and probable reserves also include important quantities of zinc, silver and molybdenum. Potential reserves stand at 913m tonnes, according to Centromin officials.

Peru is under pressure from multilateral organisations – and its current account deficit – to speed up privatisations, so it seems likely that the ambitious timetable for Centromin will broadly be adhered to. Antamina is due to be followed by Quicay, a prospect in central Pasco department which has potential reserves of 15m tonnes of gold-bearing ore averaging 1.84 grams per tonne.

Two of Centromin's seven mines, polymetallic Yauricocha and the Casapalca silver and zinc mine, will follow. Mr Barcellos says there will be no more than six weeks between auctions.

Centromin's first stage sell-off is scheduled to culminate with bidding for the refinery complex at La Oroya. *Rather than outright sale of* assets or shares, privatisers will seek a capital injection to divest themselves of the hard-to-sell giant.

La Oroya is one of the world's few metallurgical complexes with the capacity to refine highly complex concentrates. It consists of two smelters, four refineries and a series *of related circuits which* together produce five main metals (copper, zinc, lead, silver and gold) plus 17 by-products and industrial chemicals.

The present smelter was commissioned in 1922 by the US-owned Cerro de Pasco Corporation, replacing the original, 1906, installation. Not surprisingly, the elderly complex (expropriated in 1974 by the then military government of General Juan Velasco) has built up a series of severe environmental liabilities over the years. These were instrumental in deterring potential bidders two years ago.

To improve matters this time, Centromin has eight World Bank-recommended environmental consultancies helping define which responsibilities will be assumed by the Peruvian state and which by the new owners. Part of the revenue from privatisation will be set aside for an environmental fund.

Centromin is Peru's largest producer of zinc, lead and silver. Last year, its mining and smelting operations produced almost 90,000 fine tonnes of lead, 68,000 tonnes of zinc, 66,000 tonnes of copper and 613 tonnes of silver. Centromin also sold more than 360,000 tonnes of zinc concentrates.

Last year's sales were almost *$540m, $90m more than* the 1994 total thanks to higher international prices. Profits, at $53m, were sharply higher.

Transfer of Centromin to private sector ownership should boost long-absent investment in modern machinery and bring new technology to mines and refineries. Already-privatised deposits such as the cop*per mines of Tintaya and Cerro* Verde (now owned and operated respectively by Magma and Cyprus Amax) have sharply raised output, Tintaya by an impressive 40 per cent last year alone.

New investments are already making an impact on overall mining production figures. Copper output was 10.8 per cent higher in 1995 than the previous year, at just under 405,000 tonnes. Silver was 9.6 per cent higher with output of 66,789,000 oz. Tin, too, was 10.1 per cent up as privately-owned Minsur kept up expansion.

But gold has been Peru's most visible success story over the past three years. The extraordinary deposit of Yanacocha, in the northern Andean department of Cajamarca, continues to yield more gold-rich anomalies. A third mine has started production this year, and is conservatively expected to boost 1996 Yanacocha output to 625,000 oz.

Next year, when "Project X" comes on stream with a new plant and leaching pads and a fresh financing package, output will leap.

The Yanacocha joint venture between Newmont Mining of the US, Peru's Buenaventura and BRGM of France promises to remain the largest – and, with cash costs of under $120 *per oz, easily the most profit*able – gold mine in Latin America for a long time.

Not all Peru's best prospects for the future depend on newcomers, however. Asarco-owned Southern Peru, the oldest-established foreign mining concern in the country and producer of more than 60 per cent of Peru's copper, is sub*stantially increasing output.* A new solvent-extraction/electrowinning plant is already functioning at Southern's Toquepala mine: it will produce some 39,000 tonnes of copper cathodes this year, equivalent to 9 per cent of national output.

Southern Peru is also considering a big expansion of its two huge open-pit mines. Last year, it announced a 69 per cent increase in proven and probable reserves to a total of 1.3bn tonnes of sulphides plus 678m tonnes of leachable reserves. Engineering studies are under way to determine how best to develop them.

■ **CANADIAN MINING COMPANIES:** by Bernard Simon

Time to learn Spanish

Canadian mining executives are weighing the pros and cons of going south

Mrs Leticia Reid, a Mexican living in Toronto, earns her living by teaching Spanish to Canadian mining executives. "I'm as busy as I'd like to be," says Mrs Reid, who has 15-20 pupils at any one time.

The demand for her services reflects the passion with which Canada's mining industry has embraced Latin America. The enthusiasm ranges from the biggest producers, such as Barrick Gold, Cominco and Placer Dome, to modest exploration outfits, such as three-year old Ecuadorian Minerals, which is doing a feasibility study on a gold deposit in Ecuador.

The Canadians are active in almost every country in the region. Canada has in some recent years been the biggest *foreign investor in Chile,* thanks largely to mining. But Canadian geologists are also scouring Panama, Nicaragua, French Guyana and Suriname.

According to Metals Economics Group, a consultancy based in Halifax, Nova Scotia, the proportion of Canadian mining companies' exploration budgets earmarked for Latin America soared from 16 per cent in 1992 to 42 per cent in 1995, the highest among industrial countries.

Like their US, Australian and European counterparts, the Canadians have been attracted by the improved foreign investment climate in many Latin American countries.

An executive at Rio Algom, which has a stake in sizeable projects in Chile and Argentina, said that "the exploration and development potential has been well-known for many years. The thing that kept mining companies out was the relatively *unstable* political climate."

But a number of special factors have also fuelled Canadian interest.

Geography is one. Santiago is just one time zone ahead of Toronto. Mr Ian Delaney, chief executive of Sherritt International, which has a 50 per cent stake in Cuba's biggest nickel mine, notes that it takes less time to fly from Toronto to Havana than to the company's refinery at Fort Saskatchewan, Alberta.

The southward stampede started during a period of deep concern about mining's future in Canada. "We in the mining industry are under siege," Mr John Willson, Placer Dome's chief executive, told a mining and metallurgy conference in 1993. "We are packing our bags and heading elsewhere."

The complaints centred on three main issues: tightening environmental curbs, land ownership disputes, and high taxes.

A maze of environmental *laws – including overlapping* federal and provincial jurisdictions – have slowed, and in some cases killed, new mining projects. Industry confidence sank to its lowest ebb in 1993 when British Columbia proclaimed a protected wilderness area on the site of the proposed Windy Craggy copper mine in the remote Tatshenshini Valley.

Unresolved aboriginal land claims, sometimes involving competing claims to the same piece of land, have complicated negotiations between mining companies and the authorities.

A spate of tax rises in the late 1980s and early 1990s pushed the mining tax rate to 51 per cent in British Columbia, and not much lower in other provinces. Placer Dome *estimates* that new BC tax measures cost it an extra C$630,000 in 1993.

The mood in 1993-94 was reflected in Falconbridge's decision to move its main exploration office from Vancouver to Santiago. Several other companies threatened similar action.

> The rush south was triggered by concern about Canada's own mining sector

Since then, however, the climate has improved. "We do see light in Ottawa," says Mr George Miller, president of the Canadian Mining Association.

The current natural resources minister, Ms Anne McLellan, comes from oil-rich Alberta, and has emerged as a doughty advocate for the mining industry. The federal gov*ernment began a review of* mining regulations at the end of 1994 which is expected to address several industry concerns.

The provinces have shown a greater enthusiasm for mining development in the past year or two as the public's priorities have swung from conservation to job creation. Several mine applications have been approved, including in British Columbia.

Perhaps the biggest shot in the arm to the Canadian industry has come from two big discoveries – diamonds in the Northwest Territories, and nickel at Voisey's Bay, Labrador.

An environmental review panel is currently studying plans by BHP, the Australian group, for a diamond mine in the Lac de Gras region, 300km north-east of Yellowknife. Voisey's Bay is set to become one of the world's biggest and lowest-cost nickel producers. Production is expected to start in 1999 or 2000, depending how quickly the federal and Newfoundland governments give the go-ahead.

"People will be watching to see whether approvals are given in a relatively straightforward fashion," Mr Miller says.

Despite its drawbacks, Canada retains significant attractions. Brook Hunt, the US consultancy, estimated in 1993 that the average miner at Highland Valley, a large British Columbia copper mine, earned 2.6 times more than his counterpart at Chuquicamata in Chile. However, that was more than offset by estimates that the Canadian miner produced 4.6 times more ore each year.

Canada's efficient transport system means that mines need carry lower inventories of *parts and supplies than many* Latin American operations. An absence of exchange controls and a transparent public-sector decision process also help.

What's more, some mining executives would be delighted if they could be spared the time and trouble of learning a foreign language. Mrs Reid says that her pupils are intelligent and fun, but that learning Spanish "is not as easy as they thought it would be".

The opening of Argentina

Continued from page III

3,500km frontier with mineral-rich Chile, and in the southern provinces of Patagonia.

Vying for the prize of Argentina's biggest mining project *are two copper-gold deposits in* the northern *province* of Catamarca – Bajo de la Alumbrera and Agua Rica. Alumbrera, which is expected to yield 180,000 tonnes of copper and 640,000 troy ounces of gold for 19 years, is 50 per cent owned by MIM Holdings of Australia. Fellow partners in the project, which will cost about $900m to develop, are North of Australia and Rio Algom of Canada, with 25 per cent each. Agua Rica, a *deposit discovered just 35km* from Alumbrera, could be even bigger.

A third project, Fatamina, which is owned by RTZ-CRA, could also rival Alumbrera and Agua Rica in size. Meanwhile, bids for an exploration tender in a large area adjacent to the star Catamarcan projects are due this month.

At the other end of the country, in the Patagonian province of Santa Cruz, the discovery of *Cerro Vanguardia, a 9m-tonne* gold deposit with an estimated 10 grams of gold and 110 grams of silver a tonne, has attracted more than 20 international prospectors to this southern region. Cerro Vanguardia is owned by Mincorp, a 50:50 joint-venture between Argentine energy-based conglomerate Perez Companc and Minorco, the Luxembourg-quoted subsidiary of South Africa's Anglo American.

Barrick Exploraciones Argentinas, a subsidiary of Canada's Barrick Gold, already has more than 10 properties. *Canadian companies,* especially smaller ones, have been the quickest to sense opportunity in Argentina, as in the case of International Musto which last year cashed in its stake in the Alumbrera project for C$510m ($370m) after an initial outlay of only US$9m.

US companies have generally been slower to join the exploration frenzy, but FMC Lithco is developing a large lithium deposit, also in Catamarca.

Such stirrings within the mining sector do not mean there are no problems to overcome. Argentina has no track record *in the mining industry* and no mining tradition. Foreign companies investing here either have to train locals or bring in mining experts from their own country or from Chile, Bolivia and Peru.

Some of the bigger companies that have not yet dipped their toe in Argentina say they are waiting to see how well current projects develop and how new mining regulations are interpreted in practice.

Some foreign executives that have already made the plunge complain that provincial officials, with whom mining business is often done, sometimes lack expertise to make quick and sensible decisions.

Neither do most of the mining provinces have the necessary infrastructure. The Alumbrera project is having to construct a 230km mineral pipeline to transport concentrate from Catamarca on its way to the port of Rosario, 800km further east. Argentina also lacks refining capacity.

However, the government is seeking to address remaining problems. It hopes, for example, to conclude a deal with Chile, which would allow companies in Argentina or Chile to exploit contiguous deposits on the other side of the border without having to renegotiate terms.

Mr Carlos Magariños, mining and industry secretary, in April secured $800m in soft credits from the Inter-American Bank and the Eximbank of Japan to help finance new projects.

صكنا من الاصل

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

[illegible]

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

[illegible]

WORLD INTEREST RATES

MONEY RATES

[illegible]

EURO CURRENCY INTEREST RATES

[illegible]

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

[illegible]

D-MARK FUTURES (IMM) DM 125,000 per DM

[illegible]

SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

[illegible]

JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

[illegible]

STERLING FUTURES (IMM) £62,500 per £

[illegible]

Pound in New York

[illegible]

FT GUIDE to WORLD CURRENCIES

The FT Guide to World Currencies table can be found on the Markets page in today's edition.

PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

[illegible]

FT GOLD MINES INDEX

[illegible]

THREE MONTH EURODOLLAR (IMM) $1m points of 100%

[illegible]

US TREASURY BILL FUTURES (IMM) $1m per 100%

[illegible]

UK INTEREST RATES

LONDON MONEY RATES

[illegible]

BANK OF ENGLAND TREASURY BILL TENDER

[illegible]

BASE LENDING RATES

[illegible]

BANK RETURN

[illegible]

LONDON RECENT ISSUES: EQUITIES

[illegible]

† Alternative Investment Market. For a full explanation of all other symbols please refer to The London Share Service notes.

UK GILTS PRICES

[illegible]

STOCK INDICES

[illegible]

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices: dial 0891 430010 and key in a 5 digit code listed below. Calls are charged at 39p/minute cheap rate and 49p/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on (+44 171) 873 4378.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd
Pembroke Hall, Pembroke, Bermuda

Jupiter Tyndall (Bermuda) Ltd
PO Box HM1256, Hamilton, Bermuda

Newport Investment Management
73 Front Street, Hamilton, Bermuda

Orion Fund Limited
6 Front St., Hamilton, HM11, Bermuda

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

Royal Bk of Canada O/S Fd Mgrs Ltd - Contd.

Sarasin Funds Mngmt (Guernsey) Ltd
PO Box 248, St Peter Port, Guernsey 01481 725021

Schroder Investment Mngmt (Guernsey) Ltd
PO Box 255, St Peter Port, Guernsey 01481 710851

GUERNSEY (REGULATED)(**)

ANZ Mngmt Co (Guernsey) Ltd

Apollo Investment Management Ltd

Arab Bank Fund Managers (Guernsey) Ltd

BZW Asset Management Guernsey Ltd

Bachmann Global Investment Fund Ltd

CIBC Fund Managers (Guernsey) Ltd

Commercial Union Captives Inv Mngt

Consulta (Channel Islands) Limited

IRELAND (SIB RECOGNISED)

LGT Asset Management Ltd

IRELAND (REGULATED)(**)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

هكذا من الأصل

FT MANAGED FUNDS SERVICE

Cityline Unit Trust Prices: dial 0891 430010 and key in a 5 digit code listed below. Calls are charged at 39p/minute cheap rate and 49p/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on (+44 171) 873 4378.

Credis Investment Funds - Contd.

Pictet Group - Contd.

CMI Insurance Co Ltd - Contd.

Royal Skandia Life Assurance Ltd (z)

Chescor Indian Investment Company Ltd

Global Asset Management - Contd.

MFS Meridian Funds

Regent Kingpin Capital Management Ltd

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

MANAGED FUNDS NOTES

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	W'k% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Allied Domecq		501	2.7	Q29.5	1.2	Feb Jul	4.12	1550
Bulmer (HP)		622	—	12.3	2.8	Feb Sep	8.1	2085
Burn St Dist		121	1.7	5.0	0.8	May Nov	30.10	1918
Grand Met		432½	5.5	14.9	1.6	Apr Oct	29.12	2758
Guinness		477½	3.6	14.9	2.0	May Nov	1.4	2791
Highland		389	1.4	8.0	2.7	Jan Jun	4.12	2896
Kirin Y		847	4.2	Q20¾	4.2	Mar Sep	–	1119
Macallan-Glen		171xd	0.6	1.45	3.3	May Nov	15.4	3254
Macdon Martin A		635	—	10.8	3.3	Jan Jul	11.12	3257
Matthew Clark		765	0.5	22.0	0.2	Apr Oct	29.1	2153
Merrydown		106	1.0	2.0	–	Jan Oct	11.12	3352
Seagram $		$21⅞	1.6	Q80c	–	MrJuSeDe	3'93	–

BANKS, MERCHANT

	Notes	Price	W'k% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Barings 8pc Cm 2nd Prf		60½xd	—	8%	–	Jun Dec	11'94	1757
Cater Allen		444	—	20.0	2.0	Jan Aug	11.12	2081
Close Bros		365xd	0.6	9.05	2.5	Apr Nov	11.3	2165
Gerrard & Nat		493	0.2	22.5	1.3	Jul Dec	13.11	2596
Hambros		248	2.9	7.5	–	Aug Dec	27.11	2812
7½pc Cv Pf		114	3.6	7½%	–	Oct Apr	26.2	4388
King & Shaxson		155	—	9.8	1.4	Jan Jul	27.12	3068
Leopold J		400	—	18.75	1.6	Sep Jan	11.12	3080
Rea Brothers		98xd	—	1.0	2.0	May Sep	1.4	3785
Schroders		1240xd	1.4	18.0	4.5	May Oct	25.3	3839
N/V		981xd	-.4	18.0	4.5	May Oct	25.3	3941
Singer & Fried		105	1.0	4.8	3.1	Jan Nov	25.9	4026
8½pc Cv Ln 09/14		£125½xd	1.4	08½%	–	–	25.3	4985

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING - Cont.

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

هكذا من الأصل

LONDON SHARE SERVICE

INVESTMENT TRUSTS SPLIT CAPITAL - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER FINANCIAL - Cont.

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

[illegible]

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are based on "maximum" distribution, unless "y" is shown in the Notes field, indicating that the cover is calculated on a "net" basis. Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Figures or report awaited
- ♥ Rule 2.7(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue, cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♦ Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. e Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v P/e ratio & net cover calculated under new ACT guidelines. z Dividend includes a special payment: Cover does not apply to special payment. F Dividend based on prospectus or other official estimates for 1996-97. G Assumed dividend after pending scrip and/ or rights issue. H Dividend based on prospectus or other official estimates for 1995. K Dividend based on prospectus or other official estimates for 1996 L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1995-96. Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xf ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1358 a year for each security shown, subject to the Editor's discretion

FT Share Service

The following changes have been made to the FT Share Information Service: Additions: Abtrust Emrg Asia Ord & Wrts, Perpetual Inc & Gwth, (Inv Tst). Jersey Phoenix Zero Prf (Inv Co's). Aegis Wrnts (Media). Fulmar (Pckg & Pap). PLIVA (Pharms). Tried (Sup Servs). Marine & Merc Secs, Nash (W), Primary Hlth Propsend Systems Integrated Res (AIM). Deletions: NM Smaller Australia Ord & Wrnts, JF Philippine Wrnts and Schroder Jap Wrt (Inv Co's).

♣ FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣ . Please quote the code FT9981. Ring 0181 770 0770 (open 24 hours including weekends) or Fax 0181 770 3822. Reports will be sent the next working day, subject to availability.
Both Annual Reports and FT Company Focus are available from the above number.

FT Company Focus

Comprehensive 10-14 page report available on this company, containing key FT stories from the last year, latest survey of City profit forecasts and investment recommendations, 5 year financial and share price performance review, balance sheet and profit and loss data, plus recent Stock Exchange announcements for £6.45.
To order, call 0121 200 4678.
Reports published by ShareFinder Ltd.

FT Cityline

For up-to-the-second share prices call FT Cityline on 0336 43 or 0891 43 followed by the four-digit code listed after the share price. Calls charged at 39p per minute cheap rate and 49p per minute at all other times.
An international service is available for callers outside the UK, annual subscription £250 stg.
Call 0171 873 4378 for more information on FT Cityline.
For readers phoning from outside UK, please dial +44 in place of the first 0.
The share prices printed on these pages are also available on the internet at www.FT.com.

4 pm close April 19

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1996 High	1996 Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
22⅛	19⅛	AAR	0.48	2.4	21	270	20	19½	19⅝	-⅛
44¾	36⅜	AMP	1.00	2.3	22	3819	43⅛	42½	43⅛	+⅛
94	69	AMR			22	89805	91¼	89⅞	90⅝	-2½
50½	37⅞	ASA	2.00	4.5	29	484	45⅜	44¾	44⅞	-¼
44⅝	38⅛	AbbotL	0.96	2.3	18	10941	41⅞	41	41¾	+¾
17¼	13⅞	Abitibi Pr	0.40	2.7	7	395	15	14⅞	14⅞	-⅛
35⅛	27	ABM Ind x	0.70	2.1	17	72	33⅛	33⅛	33⅛	+⅛
15⅞	13⅞	Acptncela			58	227	u15⅞	15⅝	15¾	+⅜
50⅞	37¾	ACE Ltd	0.56	1.3	10	449	44	43½	43½	-⅛
9⅞	9⅛	ACM Gvt In	0.90	9.1	8	101	u9⅞	9¾	9⅞	+⅛
7⅞	6¾	ACM GvOpp	0.66	9.4		z100	7	7	7	
7¼	6½	ACM Gvt Sp	0.75	11.1		150	6¾	6⅝	6¾	
9⅛	8¼	ACM Gvt Se	0.90	10.3		327	8¾	8⅝	8¾	+⅛
9½	8⅞	ACM Man	0.90	9.7		136	9⅜	9¼	9¼	-⅛
31⅜	17¼	AcmeClv	0.52	1.7	7	158	30½	30¼	30½	+¼
8¼	6⅛	Acme Elect			58	225	7	6½	7	+½
31¾	27¼	Acordia	0.72	2.3	17	34	31½	31¼	31½	+½
15⅞	12	Acuson			47	225	15⅛	15	15⅛	+⅛
19½	18⅜	Adams Expr	0.48	2.5	0	278	18⅞	18¾	18⅞	+⅛
21¾	16⅛	AdvMic			7	4407	17½	17⅛	17¼	
10⅞	6½	Advest Grp	0.16	1.5	10	344	u10⅞	10½	10¾	+⅜
26⅛	9⅛	Advo Inc	0.10	1.0	10	88	10⅛	10	10⅛	-⅛
49½	41⅞	Aegon	1.23	2.5	15	681	49⅞	48⅝	48⅝	-⅞
5⅛	3½	Aeroflex			8	85	4⅝	4½	4½	
78¾	66⅜	AetnaL	2.76	3.9	33	4518	71	69⅞	70	-¾
33	28¾	Aflac	0.40	1.3	13	1451	30½	29⅝	30½	
20⅜	17½	AGL Res	1.06	5.7	18	317	18¾	18½	18⅝	-⅛
26¾	21¼	Ahmanson	0.88	3.7	6	5079	23¾	23⅜	23½	+⅛
59½	50⅜	AirPrC	1.04	1.8	17	1113	58¾	57¼	57⅞	-½
28⅞	23½	Airbne Frt	0.30	1.2	24	427	25¾	25¼	25⅜	+⅛
22⅞	15½	Airgas Inc			37	444	u22⅞	21¾	22	+⅜
18⅞	15	Airlease	2.00	12.3	11	42	16⅞	16⅛	16¼	+⅛
33⅝	25⅝	AirTch			106	9715	29⅝	28⅝	28¾	
30¾	15⅞	Alaska Air	0.20	0.7	23	724	30	29¼	29¾	

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

Continued on next page

4 pm close April 19

NYSE COMPOSITE PRICES

1996 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng. Prev. Close
Continued from previous page										
87¼	65⅜	Schlmb	1.50	1.8	29	11672	84	82¼	82¾	+1
25⅞	8⅛	Schlr			11	680	8½	8⅛	8⅛	-¼
27⅞	18⅝	SchwabC	0.16	0.7	22	4480	22⅞	22½	22⅝	+⅛
28⅞	22¾	SchwtzMaud			15	315	27⅞	27⅝	27⅞	-⅛
19½	13⅛	SciAtl	0.06	0.3	40	5141	18⅛	18	18⅛	-⅜
18⅞	17	Scotsman	0.10	0.5	11	31	18¼	18	18¼	
43½	38⅛	Scripps	0.52	1.2	25	1065	43¼	41¾	43	+1¼
16⅛	14½	ScudderNwF	0.02	0.1		184	15⅞	15¾	15⅞	+⅛
12½	11	ScudderNGaF	0.16	1.3		229	u12½	12¼	12¼	
18	16	SeaCnB	0.70	4.1	7	3	17¼	17¼	17¼	
16	15¾	SeaC1.4625	1.46	9.7		2	15⅛	d15⅛	15⅛	
67¾	44¾	S'gate			10	12835	58¼	57	57⅝	+⅛
39⅞	31¾	Seagrm	0.60	1.8	22	8803	33⅛	32⅝	32¾	+⅛
24⅛	17⅛	Seagull En			15	1924	23⅝	22¾	23⅝	+½
35¾	26	Sealed Air			27	290	34¼	33⅝	34⅛	+½
53¾	39¼	SearsR	0.92	1.8	13	8584	52¼	50¾	51⅞	-⅞
22¼	19¾	SearCapSB	1.26	5.9	24	777	21⅛	20½	20⅞	-⅛
13	11⅞	Seligm Sel x	0.84	6.9		38	12⅛	12	12⅛	+⅛
23¾	13⅝	Sensormat	0.22	1.0	77	3633	21⅞	20⅞	21⅝	-⅝
35⅝	29½	SequaA	0.60	1.7	61	11	34⅞	34⅝	34⅞	+¼
41⅝	30	SequaB	0.50	1.2	71	19	40⅞	40⅝	40¾	
52	38⅞	ServCp	0.48	1.0	27	4636	50⅞	49¼	50⅞	+1⅛
33½	29⅛	Shldr x	0.96	3.0	14	282	31⅞	31½	31¾	+¼
8	4½	Sandtech			16	683	5¼	5½	5⅛	-⅛
45⅝	28½	SGSThm			10	2264	u45⅝	44¼	44⅝	-⅛

NASDAQ NATIONAL MARKET

4 pm close April 19

AMEX COMPOSITE PRICES

4 pm close April 19

FT GUIDE TO THE WEEK

MONDAY 22

Palestinian council convenes

The 450-strong Palestinian National Council meets in Gaza in what will be the first PNC meeting on Palestinian land. It will also be the first time that the Israeli-Palestinian peace accords are submitted to democratic discussion by Palestinian representatives both inside and outside the Palestinian territories. However, the Syria-based Democratic Front for the Liberation of Palestine, which wants Israel to remove all preconditions on their return from exile, says its 32 members may boycott the event. The council will discuss removing articles from the Palestinian charter calling for the state of Israel's destruction. This is a central demand by Israel for continuing the peace process.

IMF discusses debt policy

The policymaking "interim committee" of the International Monetary Fund meets in Washington. Topics under discussion include the world economy, standards for national economic data, poor country debt and ways to deal with Mexican-style financial crises. The most contentious issue is expected to be a proposal by the IMF and the World Bank to tackle the debt burdens of eight to 20 of the world's poorest and most heavily indebted countries. Some finance ministers on the committee are expected to argue that the IMF and Bank are putting too much of the onus to contribute to the initiative on individual creditor governments rather than on the organisations themselves.

Rifkind fights EU over beef

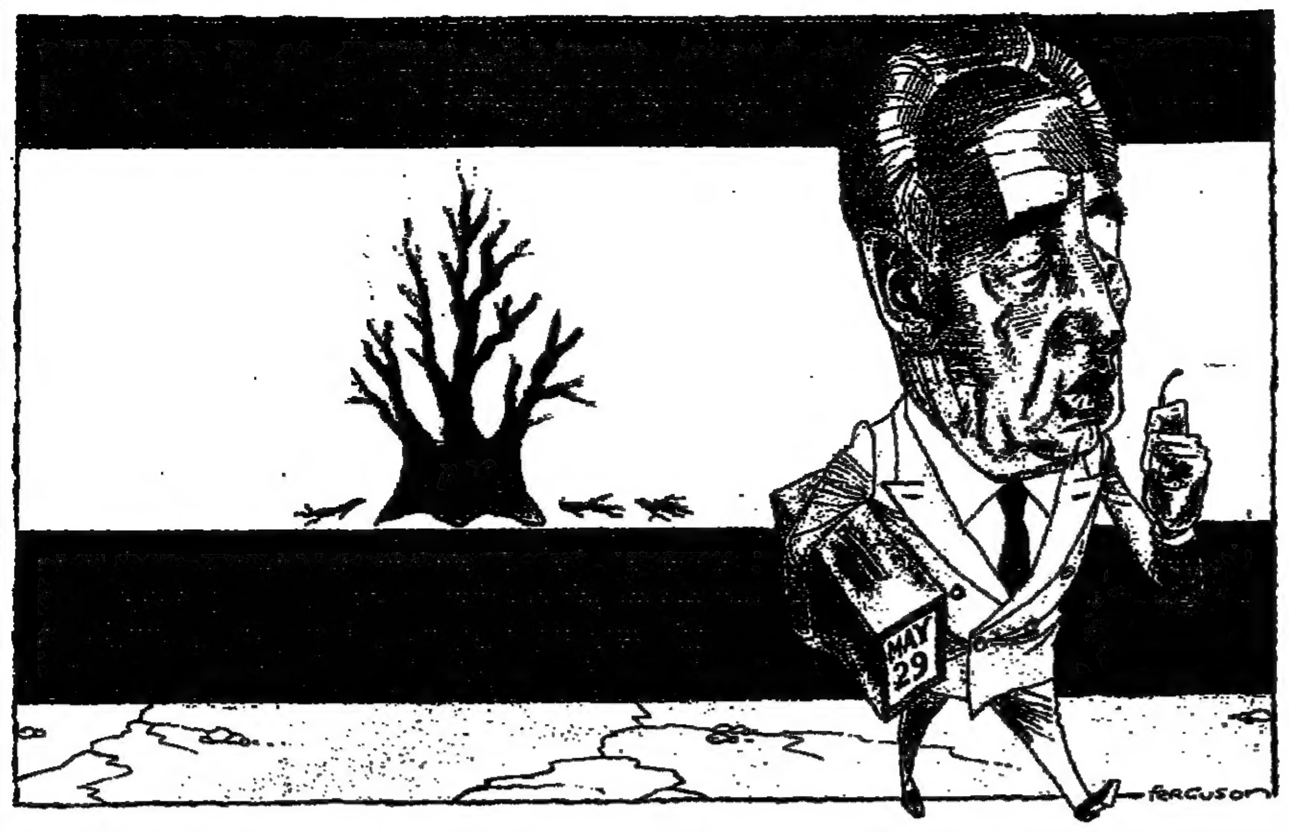
Malcolm Rifkind, the British foreign secretary, will press the case for the early lifting of a worldwide ban on British beef when he meets EU foreign ministers. Mr Rifkind will make the case that the ban is not based on scientific evidence and should therefore be lifted. On Tuesday, Douglas Hogg, the British agriculture minister, will meet Franz Fischler, the EU commissioner for agriculture, in Brussels. They are expected to discuss UK plans for a selective slaughtering campaign in Britain designed to restore consumer confidence in beef.

UN acts against landmines

About 55 countries meet in Geneva in an attempt to agree a ban on certain landmines (to May 3). The United Nations estimates 110m mines are scattered in 64 countries, killing or maiming 20,000 civilians each year. Humanitarian groups and an increasing number of governments want all anti-personnel landmines banned. However, this is opposed by countries saying they are needed militarily.

EU debates fish quotas

A flexible quota system will be among the main topics discussed at a meeting in Brussels of European Union fisheries ministers. The system would provide for member states that exceed their quotas in one year to have their quotas cut by a proportional amount the following year. Also to be discussed are proposals for reducing the permitted size of drift nets, although agreement is unlikely. The council will set tariff levels on the quotas of fish imports permitted from non-EU countries and debate the need to reduce EU members' fleet capacity.



As elections in Israel loom, Shimon Peres, the prime minister, faces growing pressure to implement a ceasefire between Israel and Hizbollah in Lebanon

King Sihanouk in Paris

King Norodom Sihanouk of Cambodia begins a four-day official visit to Paris, aimed at reinforcing political, economic and cultural links with France. Cambodia is due to join the Asean group of south-east Asian countries next year and France is keen to help rebuild the country's war-shattered economy. France also wants to reinforce the status of French in Cambodia, which belongs to the "Francophonie" organisation of French-speaking countries due to hold a summit in Vietnam later this year.

Cuba mission to UK

A Cuban trade delegation addresses a seminar in London organised by the Caribbean trade advisory group to the British Overseas Trade Group. Ministry officials and industrial leaders will discuss trade and investment following the US decision to tighten its embargo by potentially extending sanctions to other countries dealing with Cuba.

Hanover industrial fair starts

The Hanover industrial fair, the world's largest, opens its doors to show off products exhibited by 7,221 companies from 68 countries – a record turnout expected to attract about 300,000 visitors (to April 27).

TUESDAY 23

OAS conference on terrorism

An inter-American conference on terrorism opens in Peru. Sponsored by the Organisation of American States, the meeting is expected to be attended by interior ministers from all member countries. A curious absentee from the guest list is Ketin Vidal, the Peruvian general responsible for capturing the continent's most notorious terrorist of recent years – Abimael Guzman, the founder of the Maoist group which has ravaged Peru since the 1980s.

Saleroom

The most highly charged auction of the year opens in the evening at Sotheby's in New York – the start of the dispersal of about 1,200 objects from the Fifth Avenue apartment of Jacqueline Kennedy Onassis. Most of the items for sale have little artistic value. However, so great is the popular desire to own something which once belonged to the most famous American woman of the century that a $5m (£3.3m) estimate for the collection seems modest. Some believe this figure will be exceeded tenfold.

Greek PM visits Major, Bruton

Costas Simitis, the Greek prime minister, visits London and Dublin for talks with his UK and Irish counterparts, John Major and John Bruton. Mr Simitis, who took over in January, wants backing for Greek efforts to persuade Turkey that the International Court at the Hague should settle the quarrel over sovereignty in the eastern Aegean.

EU acts on pricing

A new pricing system for packaged goods is likely to be approved by EU consumer affairs ministers in Luxembourg. The proposals oblige retailers to show the selling price of the item and the price per unit. There will be exemptions and a grace period for certain products and smaller businesses. Ministers will also discuss priorities for consumer policy and consumer access to justice.

Public holidays

Belarus, Israel, Turkey.

WEDNESDAY 24

WTO in banana dispute

The dispute settlement body of the World Trade Organisation meets in Geneva to consider a request from the US and four Latin American banana producers for an independent panel to rule on the EU's banana import regime. It is claimed the regime discriminates against "dollar" bananas in favour of more expensive lower-quality fruit from former colonies and overseas territories of EU states in Africa, the Caribbean and the Pacific.

Yeltsin signs China deals

A project to transport Siberian gas to consumers in China is among the commercial co-operation agreements to be signed when Boris Yeltsin, the president of Russia, visits Beijing (to Apr 25). Mr Yeltsin will also be pushing the interests of Russian contractors in China's $30bn Three Gorges dam project. In Shanghai, he will initial an agreement with China, Kazakhstan, Kyrgyzstan and Tajikistan on improving military consultation on border issues.

Sect leader on trial

The Tokyo district court opens the first hearing in the trial of Shoko Asahara, the leader of the mystical sect Aum Shinrikyo. Asahara is accused of masterminding last year's nerve gas attack on the Tokyo subway, in which 12 people died and more than 5,000 became ill.

Football

The countdown to the finals of the European football championship continues with a "friendly": England v Croatia, Wembley stadium, London.

Public holidays

Armenia, Israel, Niger, Sudan.

THURSDAY 25

WTO telecoms deadline

The deadline falls for tabling final market-opening proposals in World Trade Organisation talks on liberalising the global telecommunications markets. Fifty-one countries are taking part in the Geneva talks, which are due to end on April 30 and expected to go to the wire as western nations, led by the US, try to extract the maximum concessions from developing countries in Asia and Latin America. The US, in particular, says it needs a "critical mass" of other countries to open up their markets to foreign firms.

Public holidays

Australia, Cook Islands, Egypt, Iceland, Italy, New Zealand, Portugal, Swaziland, Tonga, Western Samoa. Also, depending on the sighting of the moon, Bahrain, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia, United Arab Emirates.

FRIDAY 26

Peru gas deal on line

Lengthy negotiations between the Peruvian government and a Shell-Mobil consortium are scheduled to culminate in an announcement on the vast Camisea natural gas deposits in the Cuzco department. Shell discovered the deposits almost a decade ago, but progress has been hampered by political, economic and logistical problems. The Camisea fields contain gas and liquid hydrocarbons equivalent to about 2.4bn barrels of oil – around six times Peru's proven oil reserves.

FT Survey

Quarterly Review of Personal Finance (UK only).

Public holidays

Tanzania.

SATURDAY 27

Elections kick off in India

The world's biggest election begins in India with the first of six staggered polling days to elect the country's eleventh parliament since independence. With an electorate of 590m and more than 5m officials supervising 800,000 ballot stations, the poll is a giant feat. It will end in late May. No political party is expected to form a majority alone. The Congress party, which has ruled India for all but a few years since independence, is expected to suffer heavy losses, while the Bharatiya Janata party, the Hindu nationalist and main opposition party, looks set for gains. The likely coalition partners will come from regional, caste and leftist parties.

UN trade role reviewed

The ninth quadrennial United Nations Conference on Trade and Development convenes in South Africa, when delegates will assess the changing role of the UN in an era of rapid economic globalisation. About 2,500 participants, led by ministers, are expected to attend the 14-day event.

Rugby League

Silk Cut Challenge Cup final, Wembley, London.

Horse racing

Whitbread Gold Cup steeplechase, Sandown Park racecourse, near London.

FT Surveys

Quarterly Review of Personal Finance (UK only).

Public holidays

Sierra Leone, Slovenia, South Africa.

SUNDAY 28

Clinton gives video testimony

US President Bill Clinton testifies at the trial of Jim Guy Tucker, the Arkansas governor, and his former partners, James and Susan McDougal, in the Whitewater real estate venture. The three are accused of fraud and conspiracy. Mr Clinton will give his testimony from the White House, on video tape.

Motor racing

Formula One European grand prix, Nürburgring, Germany.

Public holidays

Bangladesh, Malaysia, Singapore. Also, depending on the sighting of the moon, Egypt, Tunisia, Turkey.

Compiled by Simon Strong.
Fax: (+44) (0)171 873 3194.

ECONOMIC DIARY

Other economic news

Monday: Britain's M4 money supply growth is expected to have slowed last month but it is still thought to be above the government's target rate.

Tuesday: The Confederation of British Industry's latest industrial trends survey will provide a snapshot of the health of UK manufacturing. The US trade deficit is thought to have narrowed between January and February.

Wednesday: French industrial production is forecast to have grown slightly last month. Economists expect that US durable goods orders increased last month after February's decline.

Thursday: The recent pick-up in UK retail sales is expected to have gathered more momentum last month. Finland's unemployment rate is forecast to have fallen slightly last month. Spanish industrial output is thought to have risen in February.

Friday: France's trade balance is thought to have contracted in February. German producer prices, due to be published this week, are thought to have risen slightly between February and March, while west German annual consumer price inflation is thought to have fallen slightly this month.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	US	1st qtr housing vacancies	-	-
April 22	Japan	Feb overall pers consump expend**	2.6%	3.4%
	Japan	Feb pers cons expend(workers)**	-	2.3%
	UK	Mar M4*	0.7%	0.4%
	UK	Mar M4**	9.5%	9.9%
	UK	Mar M4 lending	£6.0bn	£7.3bn
	UK	Mar bdg soc net new commit'mts	£3.5bn	£2.9bn
Tues	US	Feb trade bal: goods & services	-$8.8bn	-$10.3bn
April 23	US	Feb goods & services export (BoP)	$67.7bn	$66.6bn
	US	Feb goods & services import (BoP)	$76.5bn	$76.9bn
	US	Mar export price indx	-	-0.2%
	US	Mar import price indx	-	-0.5%
	US	Johnson Redbook April 20	-	-6.1%
	Japan	Feb coincident indx	100.0%	100.0%
	Japan	Feb leading diffusion indx	80.0%	80.0%
	UK	Mar CBI industrial trends	-	n/a
	Spain	4th qtr wage rises**	4.4%	4.4%
	Canada	Mar leading indicator*†	0.4%	0.6%
Wed	US	Mar durable orders	0.4%	-2.3%
April 24	US	Mar durable shipments	-	1.6%
	France	Feb industrial production*	0.4%	0.5%
	France	Feb manufacturing production*	0.3%	0.4%
	France	'95 gross domestic prod, prelim	2.5%	2.5%
	Canada	Feb retail sales*†	0.4%	0.3%
	Aus'lia	Mar motor vehicle registrations	-3.0%	4.1%
Thur	US	Mar existing home sales	-	3.96m
April 25	US	Initial claims w/e April 20	360,000	-
	France	Mar consumer price indx final*	0.6%	0.65%
	UK	Mar retail sales*	0.4%	0.6%
	UK	Mar retail sales**	2.1%	1.9%
Fri	US	Apr Michigan sentiment fnl	-	80.8(prel)
April 26	Japan	Apr cons price indx ex-perishables**	0.0%	0.0%
	Japan	Mar consumer price indx (nation)**	0.0%	-0.2%
	Japan	Mar cons price indx ex-perishables**	0.2%	0.2%
	Japan	Mar retail sales**	1.8%	0.8%
	Japan	Mar industrial prod, prelim†	-4.7%	2.6%
	Japan	Mar shipments, prelim†	-	2.8%
	France	Feb trade balance†	FFr7.8bn	FFr8.4bn
During the week...				
	Japan	Apr trade balance (1st 10 days)	-	$2.1bn
	Japan	Mar supermarket sales**	-	0.1%
	Japan	Mar dept store sales**	-	5.1%
	Germany	Mar producer price indx, West*	0.2%	0.0%
	Germany	Mar PPI, pan-Germany*	0.2%	0.1%
	Germany	Mar PPI, pan-Germany**	0.0%	-0.2%
	Germany	Mar import prices*	0.3%	0.1%
	Germany	Mar import prices**	0.4%	-0.8%
	Germany	Apr prelim cost of living, West*	0.2%	0.1%
	Germany	Apr prelim cost of living, West**	1.4%	1.6%

*month on month, **year on year, †seasonally adjusted. *Statistics, courtesy MMS International.*

MONDAY PRIZE CROSSWORD

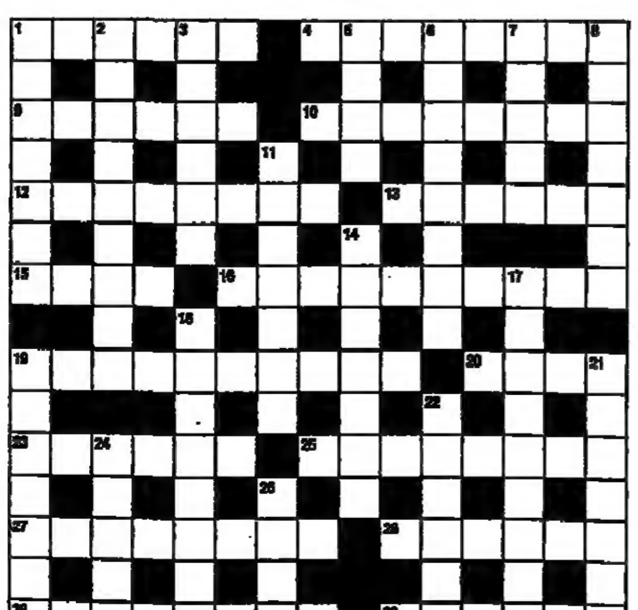
No.9,049 Set by DANTE

ACROSS

1 A lever used to take the lid off (6)
4 Enters uninvited and is turned out (8)
9 Job centre cuts out slumps (6)
10 High-pitched river battle (8)
12 Ball for a Pekingese? (8)
13 He may make a score or interpret one (6)
15 Lady love is after the money (4)
16 Slump causing gloom (10)
19 Fatted calf was just the ticket for the prodigal son (6,4)
20 It takes a lot of beating (4)
23 Yarn that's embroidered (6)
25 Did some relief work (8)
27 Unfortunately I'd a purse lifted (8)
28 The buck stops here (6)
29 Go off and become a cynic, perhaps (4,4)
30 Let Eva twirl in the dance (6)

DOWN

1 One with rooted objections to the status quo? (7)
2 One who bows and scrapes? (9)
3 The charm of a quiet carillon (6)
5 Well-dressed beef (4)
6 Uneasy, lacking support (8)
7 Sailor's musical box? (5)
8 New apron's accepted right for a Scotsman to wear (7)
11 Caricature in strip (4,3)
14 Old warship with three sets of propellers (7)
17 River seen to be there when needed (2,7)
18 Sees fair play in nurseries (8)
19 Get someone else to do the fighting (7)
21 She's known to sing and moan badly (7)
22 To practise with wisdom – that's the job of a doctor (6)
24 It's a mistake to be led astray with gold (5)
26 Live with a socially acceptable boyfriend (4)



A prize of a Pelikan New Classic 380 fountain pen for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers will be awarded. Solutions by Thursday May 2, marked Monday Crossword 9,049 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday May 6. Please allow 28 days for delivery of prizes.

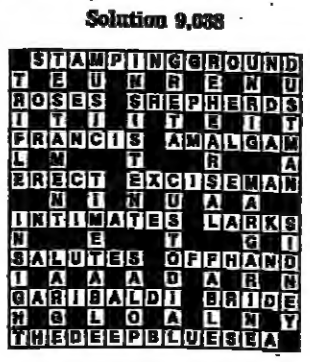
Name.......

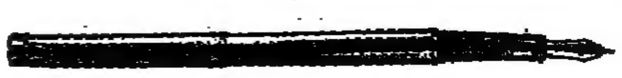
Address.......

Winners 9,038

W.G.H. Tucker, Dagenham, Essex
P. Adams, London SE1
Pam James, Keston, Kent
D. Kelmanson, Hadley Wood, Herts
Diane Revzin, Brussels, Belgium
N.J. Summerhayes, Camberley, Surrey

Solution 9,038





JOTTER PAD

صكتا من الاهل